



**BRITISH COLUMBIA  
TELEPHONE COMPANY**

**PROXY INFORMATION  
CIRCULAR**

**ANNUAL AND SPECIAL GENERAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON**

**April 15, 1993**

**ANNUAL GENERAL MEETING  
AND  
REORGANIZATION INVOLVING  
BRITISH COLUMBIA TELEPHONE COMPANY**

**- and -**

**BC TELECOM INC.**





February 23, 1993

Dear Holder of Ordinary Shares:

You are cordially invited to attend the Annual and Special General Meeting (the "Meeting") of the Holders of Ordinary Shares of British Columbia Telephone Company ("BC TEL" or the "Corporation"). The meeting will be held in the auditorium at the offices of the Corporation, 3777 Kingsway, Burnaby, British Columbia, Canada, commencing at 10:00 a.m. on April 15, 1993.

In addition to the usual annual meeting resolutions, the purpose of the Meeting is to seek your authorization and approval for a statutory procedure known as an arrangement (the "Arrangement"). The Arrangement is part of a reorganization through which a new parent corporation will be established for BC TEL and its subsidiaries. Under the reorganization, a new parent corporation, BC TELECOM Inc. ("BC TELECOM"), will own 100% of the Ordinary Shares of BC TEL and, through BC TEL Services Inc., all of the issued and outstanding shares of certain largely non-regulated subsidiaries and other investments held by the BC TEL group of companies. As part of this reorganization the Corporation will change its name to "BC TEL". The purpose of this reorganization is to separate the businesses of the BC TEL group of companies into that of (i) a telephone company (to be the business of BC TEL) and those businesses that are integral thereto, and (ii) the other businesses of the BC TEL group of companies which are largely non-regulated (to be held under BC TEL Services Inc.). This reorganization will, among other things, simplify the regulatory process, give the group of companies greater access to financing alternatives and facilitate their growth. It will also assist in balancing the interests of subscribers and shareholders and allow greater flexibility in the management of the non-regulated businesses.

On the Effective Date of the Arrangement, which is expected to be May 1, 1993, your Ordinary Shares of BC TEL will be exchanged for the same number of Common Shares of BC TELECOM and such Common Shares will represent the same ownership interests in the same consolidated group of assets as your present Ordinary Shares of BC TEL. The Common Shares of BC TELECOM have been conditionally accepted (subject only to the filing of documents and the payments of fees) for listing on the Vancouver, Toronto and Montreal stock exchanges, the same exchanges on which the existing Ordinary Shares of BC TEL are now listed. You will receive notices and reports with respect to BC TELECOM as you have in the past with respect to BC TEL.

Your Board of Directors believes that this reorganization is in the best interests of BC TEL and its shareholders and recommends that you vote in favour of this transaction. Without the prescribed approval of the holders of Ordinary Shares of BC TEL, the proposed Arrangement cannot take place. The Arrangement also requires the approval of the Supreme Court of British Columbia.

Details of the Arrangement and its effects are contained in the Proxy Information Circular and reference should be made to that document for complete information.

It is important that your shares be represented at the Meeting. Whether or not you are able to attend in person, your representation will be assured if you complete, sign and date the enclosed proxy form and return it in the postage paid envelope provided.

Yours truly,

President and Chief Executive Officer





February 23, 1993

Dear Holder of Ordinary Shares:

You are cordially invited to attend the Annual and Special General Meeting (the "Meeting") of the Holders of Ordinary Shares of British Columbia Telephone Company ("BC TEL" or the "Corporation"). The meeting will be held in the auditorium at the offices of the Corporation, 3777 Kingsway, Burnaby, British Columbia, Canada, commencing at 10:00 a.m. on April 15, 1993.

In addition to the usual annual meeting resolutions, the purpose of the Meeting is to seek your authorization and approval for a statutory procedure known as an arrangement (the "Arrangement"). The Arrangement is part of a reorganization through which a new parent corporation will be established for BC TEL and its subsidiaries. Under the reorganization, a new parent corporation, BC TELECOM Inc. ("BC TELECOM"), will own 100% of the Ordinary Shares of BC TEL and, through BC TEL Services Inc., all of the issued and outstanding shares of certain largely non-regulated subsidiaries and other investments held by the BC TEL group of companies. As part of this reorganization the Corporation will change its name to "BC TEL". The purpose of this reorganization is to separate the businesses of the BC TEL group of companies into that of (i) a telephone company (to be the business of BC TEL) and those businesses that are integral thereto, and (ii) the other businesses of the BC TEL group of companies which are largely non-regulated (to be held under BC TEL Services Inc.). This reorganization will, among other things, simplify the regulatory process, give the group of companies greater access to financing alternatives and facilitate their growth. It will also assist in balancing the interests of subscribers and shareholders and allow greater flexibility in the management of the non-regulated businesses.

On the Effective Date of the Arrangement, which is expected to be May 1, 1993, your Ordinary Shares of BC TEL will be exchanged for the same number of Common Shares of BC TELECOM and such Common Shares will represent the same ownership interests in the same consolidated group of assets as your present Ordinary Shares of BC TEL. The Common Shares of BC TELECOM have been conditionally accepted (subject only to the filing of documents and the payments of fees) for listing on the Vancouver, Toronto and Montreal stock exchanges, the same exchanges on which the existing Ordinary Shares of BC TEL are now listed. You will receive notices and reports with respect to BC TELECOM as you have in the past with respect to BC TEL.

Your Board of Directors believes that this reorganization is in the best interests of BC TEL and its shareholders and recommends that you vote in favour of this transaction. Without the prescribed approval of the holders of Ordinary Shares of BC TEL, the proposed Arrangement cannot take place. The Arrangement also requires the approval of the Supreme Court of British Columbia.

Details of the Arrangement and its effects are contained in the Proxy Information Circular and reference should be made to that document for complete information.


It is important that your shares be represented at the Meeting. Whether or not you are able to attend in person, your representation will be assured if you complete, sign and date the enclosed proxy form and return it in the postage paid envelope provided.

Yours truly,

A handwritten signature in dark ink, appearing to read "Brian A. Canfield". The signature is fluid and cursive, with the first name "Brian" and last name "Canfield" clearly distinguishable.

Brian A. Canfield  
President and Chief Executive Officer

BAC:saw



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**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF Section 192 of the Canada Business Corporations Act, R.S.C. 1985, c.C-44, as amended;

AND IN THE MATTER OF a Plan of Arrangement proposed by British Columbia Telephone Company.

**NOTICE OF PETITION**

TO: HOLDERS OF ORDINARY SHARES OF BRITISH COLUMBIA TELEPHONE COMPANY AND OTHER INTERESTED PARTIES

NOTICE is hereby given that a Petition has been filed on behalf of British Columbia Telephone Company ("BC TEL") and BC TELECOM Inc. ("BC TELECOM") for approval of a proposed arrangement (the "Arrangement") under section 192 of the Canada Business Corporations Act, R.S.C. 1985, c.C-44, as amended (the "CBCA"), which Arrangement is described in greater detail in the Proxy Information Circular of BC TEL dated February 23, 1993 accompanying this Notice of Petition (the "Petition").

AND NOTICE is further given that the said Petition is directed to be heard in the Supreme Court of British Columbia (the "Court") at the Law Courts Building, 800 Smithe Street, Vancouver, British Columbia on or about April 16, 1993 at 10:00 a.m. (Vancouver time) or as soon thereafter as counsel may be heard.

AND NOTICE is further given that any holder of ordinary shares of BC TEL, or any other interested person desiring to support or oppose the Petition may appear personally or by counsel at the hearing for that purpose provided that such holder or person shall file with the Court and serve on the solicitors for BC TEL and BC TELECOM, on or before April 9, 1993 at the address set forth below, an Appearance setting out the address for service in respect of such holder or person and indicating whether such holder or persons intends to oppose the application or make submissions thereat together with any evidence or materials which are to be presented to the Court. At the hearing, such holders or persons will be entitled to make representations as to, and the Court will be requested to consider, the fairness of the Arrangement. If you do not attend at that time, either in person or by counsel, the Court may approve the Arrangement as proposed, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice to you.

AND NOTICE is further given that a copy of the said Petition and other documents in the proceedings will be furnished to any security holder of BC TEL or any other interested person requesting the same from the Corporate Secretary of BC TEL or from the solicitors for BC TEL and BC TELECOM.

AND NOTICE is further given that, if issued, the order of the Court approving the Arrangement will constitute the basis for an exemption from the registration and prospectus requirements under the Securities Act of 1933, as amended, of the United States of America with respect to the securities to be issued under the Arrangement.

Farris, Vaughan, Wills & Murphy  
Barristers and Solicitors  
26th Floor, 700 West Georgia Street  
Vancouver, B.C.  
V7Y 1B3

(604) 684-9151  
(604) 661-9349 (Fax)  
Solicitors for BC TEL and BC TELECOM



# BRITISH COLUMBIA TELEPHONE COMPANY

## NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

The Annual and Special General Meeting (the "Meeting") of holders of ordinary shares (the "BC TEL Ordinary Shares") of British Columbia Telephone Company ("BC TEL" or the "Corporation") will be held in the Auditorium at the head office of the Corporation, 3777 Kingsway, Burnaby, British Columbia on Thursday, April 15, 1993 at 10:00 o'clock a.m. (Vancouver time) for the purposes of:

1. receiving the 1992 Audited Financial Statements of BC TEL, including the Consolidated Balance Sheet, the related Consolidated Statements of Earnings, Retained Earnings and Changes in Financial Position and Auditors' Report thereon;
2. electing directors for the ensuing year;
3. appointing auditors for the ensuing year;
4. considering, pursuant to an order (the "Interim Order") dated March 3, 1993 of the Supreme Court of British Columbia and, if deemed appropriate, passing, a special resolution (the "Arrangement Resolution") to approve an arrangement (the "Arrangement") under section 192 of the Canada Business Corporations Act, which will involve, among other things, certain transactions culminating in an exchange of BC TEL Ordinary Shares for common shares of BC TELECOM Inc. which will become the parent of BC TEL, and changing the name of the Corporation to "BC TEL", the full text of which resolution is set out in Schedule A to, and all as more particularly described in, the accompanying proxy information circular (the "Circular"); and
5. considering such other matters, including without limitation such amendments or variations to the Arrangement Resolution, as may properly come before the Meeting or any adjournment thereof.

The texts of the Arrangement Resolution, and the agreement in respect of the Arrangement are set forth in Schedule A and Schedule B, respectively, to the Circular.

Pursuant to the Interim Order, holders of BC TEL Ordinary Shares have been granted the right to dissent and to be paid the fair value of their BC TEL Ordinary Shares in respect of the Arrangement Resolution in accordance with section 190 of the Canada Business Corporations Act. This right is described in the Circular.

Only holders of record of BC TEL Ordinary Shares at the close of business on March 2, 1993 will be entitled to vote in respect of the matters to be voted on at the Meeting or any adjournment thereof, except that a person who has acquired BC TEL Ordinary Shares subsequent to such record date will be entitled to vote such shares upon making a written request to that effect not later than 10 days preceding the date of the Meeting to the Corporate Secretary of BC TEL at the registered office of BC TEL at 19th Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 and establishing that such person owns such shares.

Your vote is important regardless of the number of BC TEL Ordinary Shares you own. Shareholders who are unable to attend the Meeting in person are asked to sign, date and return the enclosed form of proxy relating to the BC TEL Ordinary Shares held by them in the postpaid envelope provided for that purpose.

To be used at the Meeting, a proxy must be deposited at the registered office, British Columbia Telephone Company, 19th Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 at any time up to 10:00 a.m. (local time) on April 14, 1993 (or with respect to any adjournment of the Meeting two days prior to such adjourned Meeting) or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.

DATED at Vancouver, British Columbia this 23rd day of February, 1993.

By Order of the Board  
Dorothy E. Byrne  
Corporate Secretary



# PROXY INFORMATION CIRCULAR

## GLOSSARY OF TERMS

The following is a glossary of certain terms used frequently throughout this Proxy Information Circular and the summary thereof. Additional terms are defined in this Circular.

**"Advance Tax Rulings"** means tax rulings relating to the Reorganization, on terms acceptable to BC TEL issued by Canadian and United States federal taxation authorities;

**"Anglo-Canadian"** means Anglo-Canadian Telephone Company;

**"Arrangement"** means the arrangement pursuant to Section 192 of the CBCA as contemplated by the Plan of Arrangement;

**"Arrangement Agreement"** means the agreement made as of February 23, 1993 between BC TEL and BC TELECOM representing the Plan of Arrangement, which agreement is annexed as Schedule B to this Circular;

**"Arrangement Resolution"** means the special resolution, the full text of which is annexed as Schedule A to this Circular, to be considered and, if deemed advisable, passed, with or without variation, by the Shareholders at the Meeting;

**"Articles of Arrangement"** means the articles to be filed by BC TEL with the Director upon receipt of the Final Order;

**"BC TEL"** means British Columbia Telephone Company;

**"BC TEL Dividend Reinvestment Plan"** means the dividend reinvestment and share purchase plan of BC TEL established prior to the Effective Date;

**"BC TEL LISOP"** means the long-term incentive share option plan of BC TEL established prior to the Effective Date;

**"BC TEL Ordinary Shares"** means the Ordinary Shares of BC TEL;

**"BC TEL Preferred Shares"** means the preference and preferred shares of BC TEL issued and outstanding on the Effective Date;

**"BC TEL Services"** means BC TEL Services Inc., formerly North-west Telephone Company;

**"BC TELECOM"** means BC TELECOM Inc.;

**"BC TELECOM Common Shares"** means the common shares in the capital stock of BC TELECOM;

**"BC TELECOM Dividend Reinvestment Plan"** means the dividend reinvestment and share purchase plan of BC TELECOM established on the Effective Date;

**"BC TELECOM LISOP"** means the long-term incentive share option plan of BC TELECOM established on the Effective Date;

**"Board of Directors"** means the board of directors of BC TEL;

**"Canadian Tax Act"** means the *Income Tax Act of Canada*, as amended to date;

**"CBCA"** means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

**"Circular"** means the Proxy Information Circular;

**"Corporation"** means British Columbia Telephone Company;

**"Court"** means the Supreme Court of British Columbia;

**"CRTC"** means Canadian Radio-television and Telecommunication Commission;

**"CT&S"** means Canadian Telephone and Supplies Ltd.;



**"Debentures"** means the unsecured debentures of BC TEL issued from time to time under and pursuant to a trust indenture between BC TEL and Montreal Trust Company of Canada (as successor trustee) dated May 31, 1990 as supplemented from time to time;

**"Director"** means the Director appointed pursuant to the CBCA;

**"Dissenting Shareholder"** means a Shareholder who exercises his or her right of dissent pursuant to Section 190 of the CBCA and pursuant to the Interim Order;

**"Effective Date"** means the date the Arrangement becomes effective pursuant to the CBCA, which is anticipated to be upon fulfillment of all conditions including Shareholder approval, Court approval and other conditions referred to under the heading "The Reorganization - Conditions to the Arrangement Becoming Effective";

**"Final Order"** means the final order of the Court approving the Arrangement, to be applied for on April 16, 1993 or as soon thereafter as counsel may be heard;

**"First Mortgage Bonds"** means the first mortgage bonds of BC TEL issued and outstanding under the trust deed between BC TEL and Montreal Trust Company dated as of March 1, 1946, as amended and supplemented from time to time;

**"GTE"** means GTE Corporation;

**"Interim Order"** means the order of the Court dated March 3, 1993 which is annexed as Schedule C to this Circular, containing declarations and directions with respect to the holding of the Meeting;

**"Investments"** mean any shares in any corporation which is not a subsidiary which are held by BC TEL or its Subsidiaries;

**"IRS"** means the Internal Revenue Service of the United States of America;

**"Meeting"** means the annual and special general meeting of Shareholders to be held on April 15, 1993;

**"Microtel"** means Microtel Limited;

**"MPR Teltech"** means MPR Teltech Ltd.;

**"Notice of Meeting"** means the Notice of Annual and Special General Meeting of Shareholders accompanying this Circular;

**"Notice of Petition"** means the notice of the petition by BC TEL to the Court for the Final Order, which accompanies this Circular;

**"Plan of Arrangement"** means the plan of arrangement appended to the Arrangement Agreement as Exhibit 1 outlining the procedures to be followed in implementing the Arrangement;

**"Post-Arrangement Transactions"** means the transactions that will occur commencing on the Effective Date immediately following the Arrangement taking effect, whereby the shares of BC TEL Services will be dividended to BC TELECOM and related transactions shall occur;

**"Proxy Form"** means the form of proxy accompanying this Circular;

**"Proxy"** means a Proxy Form which has been completed, dated, signed and delivered by or on behalf of a Shareholder to the Secretary of the Corporation, as specified in the Notice of the Meeting;

**"Record Date"** means March 2, 1993;

**"Reorganization"** means the Arrangement and the Post-Arrangement Transactions;

**"Shareholder"** means a holder of one or more BC TEL Ordinary Shares;



**"Subsidiaries"** mean BC TEL Services together with BC TEL Mobility Cellular Inc., B.C. Mobile Ltd., Telecom Leasing Canada (TLC) Limited, Viscount Industries Limited, BC TEL Systems Support Inc., BC TEL Risk Management Inc., SRI Strategic Resources Inc., BC TEL Properties Inc. and ISM Information Systems Management (B.C.) Corporation and after April 1, 1993 BC TEL Systems Solutions Inc., or such companies listed herein other than BC TEL Services, as the context so requires;

**"RBC DS"** means RBC Dominion Securities Inc., independent financial advisor to the Board of Directors with respect to the Arrangement;

**"U.S. Code"** means the *United States Internal Revenue Code of 1986*, as amended to date;

**"United States Person"** means a citizen or resident of the United States, a corporation or partnership created or organized in the United States or under the laws of the United States or any state of the United States, or an estate or trust that is subject to United States federal income taxation regardless of the source of its income.



## SUMMARY OF CIRCULAR

*The following is a summary of the contents of this Circular. This summary is provided for convenience only and the information contained in this summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained in the body of this Circular including the schedules hereto.*

### THE MEETING

The Meeting will be held in the Auditorium at the head office of the Corporation at 3777 Kingsway, Burnaby, British Columbia, on April 15, 1993, commencing at the hour of 10:00 a.m. (Vancouver time).

At the Meeting, Shareholders will be asked to elect the directors (See "Annual Meeting Business - Election of Directors") and appoint the auditors (See "Annual Meeting Business - Appointment of Auditors") of BC TEL for the ensuing year. Shareholders will also be asked to consider and, if deemed advisable, approve the Arrangement Resolution authorizing the Arrangement and to consider such other matters as may properly come before the Meeting.

### THE REORGANIZATION

On February 23, 1993, BC TEL's Board of Directors approved in principle the Reorganization under which a subsidiary of BC TEL Services, BC TELECOM, will become the parent or holding corporation of BC TEL and the BC TEL group of companies, through a statutory arrangement. The main purpose of the Reorganization is to provide regulatory simplification through the separation of the BC TEL group of companies into that of (i) a telephone company (to be the business of BC TEL) and those businesses that are integral thereto, and (ii) the other businesses of the BC TEL group of companies which are largely non-regulated. The Arrangement will also provide, among other things, greater flexibility for the management of existing operations, future business opportunities and capital and financings for the BC TEL group of companies. Provided all conditions to the implementation of the Arrangement are satisfied and the appropriate approvals of the Court and of Shareholders authorizing implementation of the Arrangement are obtained, a Shareholder (other than a Dissenting Shareholder) will receive, on the Effective Date, one BC TELECOM Common Share for each BC TEL Ordinary Share then held (See "Conditions to the Arrangement Becoming Effective"). On the Effective Date and immediately following the Arrangement, BC TEL will be a wholly owned subsidiary of BC TELECOM and BC TELECOM will acquire all of the issued and outstanding shares of BC TEL Services, thereby acquiring indirectly, control of all of the Subsidiaries and other Investments of the BC TEL group of companies. BC TELECOM will become a publicly traded corporation with the BC TELECOM Common Shares to be listed and traded on the Vancouver Stock Exchange, The Toronto Stock Exchange and the Montreal Exchange. BC TEL will continue to own and operate its telecommunications facilities, which are regulated by the CRTC. Shareholders (other than Dissenting Shareholders) who are resident in Canada or the United States generally will receive the BC TELECOM Common Shares without any immediate Canadian or United States federal income tax liability unless they choose otherwise. See "Particulars of the Reorganization - Income Tax Consequences".

As part of the Arrangement, British Columbia Telephone Company will change its name to "BC TEL".

The BC TEL Preferred Shares shall continue to be preference and preferred shares of BC TEL. The indebtedness of BC TEL on the Effective Date, including all Debentures and First Mortgage Bonds, will continue to be the indebtedness of BC TEL.

Together, the Arrangement and the Post-Arrangement Transactions constitute the Reorganization. The Arrangement will not occur unless the Post-Arrangement Transactions can also be completed.

### APPROVAL BY AND RECOMMENDATION OF THE BOARD OF DIRECTORS

On February 22, 1993, Articles of Continuance under the CBCA were issued for BC TEL. On February 23, 1993, the Board of Directors unanimously approved the Reorganization, subject to certain conditions, and authorized submission of the Arrangement to the Shareholders for consideration with a view to approval and to the Court for approval.



The decision of the Board of Directors to approve the Reorganization for submission to the Shareholders and to the Court was reached by the Board of Directors after consideration of many factors, including principally the following:

1. The Reorganization is intended to provide regulatory segregation of BC TEL's telecommunications services and systems from certain non-regulated investments of BC TEL, which will simplify and facilitate the regulation of BC TEL by the CRTC.
2. The Reorganization will provide greater flexibility for the management of the BC TEL group of companies (in both regulated and non-regulated operations) and for developing and financing its existing businesses and new opportunities in the telecommunications and related fields.

See "Particulars of the Reorganization - Approval By and Recommendation of the Board of Directors" for other factors considered by the Board of Directors in reaching its decision.

The Board of Directors has unanimously concluded that the Arrangement is in the best interests of BC TEL and fair to all holders of shares of BC TEL and recommends that all Shareholders vote in favour of the Arrangement Resolution, thereby approving the implementation of the Arrangement and permitting the Reorganization. Implementation of the Arrangement is subject to fulfillment of certain conditions.

#### ADVICE OF FINANCIAL ADVISOR

In considering the Reorganization, the Board of Directors received independent financial advice from RBC DS that the Reorganization is fair to the Shareholders from a financial point of view and does not materially adversely affect the holders of BC TEL Preferred Shares. See "Particulars of the Reorganization - Advice of the Financial Advisor" for a description of the information relied upon, assumptions made and matters reviewed by RBC DS in providing its advice.

#### DETAILS OF THE REORGANIZATION

##### *Arrangement*

Should the requisite majority of Shareholders vote in favour of the Arrangement Resolution and should all conditions precedent be fulfilled, upon the Arrangement becoming effective, the following transactions will occur contemporaneously with each other:

- (a) the issued and outstanding BC TEL Ordinary Shares will be exchanged for an equal number of BC TELECOM Common Shares issued from BC TELECOM's treasury;
- (b) the one BC TELECOM Common Share owned by BC TEL Services will be cancelled; and
- (c) British Columbia Telephone Company will change its name to BC TEL.

##### *Post-Arrangement Transactions*

Immediately after completion of the steps of the Arrangement and on the Effective Date:

- (a) the stated capital of BC TEL Services will be increased; and
- (b) the Board of Directors will declare a dividend on the BC TEL Ordinary Shares which dividend will be satisfied by the transfer to BC TELECOM of all the common shares of BC TEL Services.

After completion of the steps of the Arrangement and as part of the Post-Arrangement Transactions certain steps will be effected so that the tax consequences for the BC TEL group of companies will not be altered by the reorganization. See "Particulars of the Reorganization - Details of Post-Arrangement Transactions".



After completion of the steps of the Arrangement and the Post-Arrangement Transactions, former Shareholders of BC TEL prior to the Arrangement will become holders of the same number of BC TELECOM Common Shares and BC TELECOM will own all of the BC TEL Ordinary Shares and all of the common shares of BC TEL Services, formerly owned by BC TEL. See "Particulars of the Reorganization - Details of the Reorganization".

## **SHAREHOLDER APPROVAL**

The Interim Order provides that in order for the Arrangement to be implemented, the Arrangement Resolution must be passed, with or without variation, by at least 66-2/3% of the votes cast in respect of the Arrangement Resolution by Shareholders present or voting by proxy, at the Meeting.

## **COURT APPROVAL**

The Arrangement requires court approval under the CBCA. Prior to the mailing of this Circular, the Interim Order was obtained from the Court and provides for the calling and holding of the Meeting and certain other procedural matters. The Notice of Petition for the Final Order appears in front of this Circular. Farris, Vaughan, Wills & Murphy, legal counsel to BC TEL, has advised that the Court in hearing the petition for the Final Order will consider, among other things, the fairness of the Arrangement to shareholders. Following approval of the Arrangement by the Shareholders at the Meeting, BC TEL will make application to the Court for the Final Order at 10:00 a.m. (Vancouver time) at the Law Courts Building, 800 Smithe Street, Vancouver, British Columbia on Friday, April 16, 1993 or as soon thereafter as counsel may be heard. Shareholders have the right to appear at such hearing and present evidence. See "Particulars of the Reorganization - Conditions to the Arrangement Becoming Effective - Court Approval".

## **OTHER CONDITIONS OF THE ARRANGEMENT**

Pursuant to the Arrangement Agreement, the respective obligations of the parties to the Arrangement Agreement to complete the Arrangement and to file Articles of Arrangement giving effect to the Arrangement are also subject to the satisfaction by BC TEL and BC TELECOM of certain other conditions, including:

- (a) the Arrangement must be approved by the Court;
- (b) the Post-Arrangement Transactions must be capable of being implemented following the Arrangement;
- (c) consents will have to be obtained by BC TEL with respect to certain agreements;
- (d) the Advance Tax Rulings remaining valid and in effect with no alteration except as approved by BC TEL; and
- (e) certain other conditions in the Arrangement Agreement must be fulfilled or waived.

See "Particulars of the Reorganization - Conditions to the Arrangement Becoming Effective".

## **TERMINATION**

The Arrangement Agreement may, at any time before or after the holding of the Meeting but no later than the Effective Date of the Arrangement, be terminated by the Board of Directors without further notice to, or action on the part of, Shareholders.

## **DISTRIBUTION OF BC TELECOM COMMON SHARES**

If the Arrangement becomes effective, outstanding certificates representing BC TEL Ordinary Shares will, and will continue to, represent BC TELECOM Common Shares. Accordingly, it will not be necessary for Shareholders to surrender their share certificates in connection with the Arrangement.



## **TIMING**

It is not possible to specify when the Effective Date will be but BC TEL anticipates that this date may be May 1, 1993. BC TEL currently anticipates making application to the Court for a final order approving the Arrangement on April 16, 1993, however, Articles of Arrangement will not be filed with the Director until all other conditions have been satisfied See "Particulars of the Reorganization - Effective Date of the Arrangement".

## **INTEREST OF THE PRINCIPAL SHAREHOLDER**

Anglo-Canadian Telephone Company, the only holder of which management is aware that beneficially holds more than 10% of the issued and outstanding BC TEL Ordinary Shares, has indicated that it will vote in favour of the Arrangement Resolution. Anglo-Canadian Telephone Company is beneficially owned and controlled as to 100% of the common shares by GTE of Stamford, Connecticut, U.S.A. The officers and directors of BC TEL have also advised that they will vote in favour of the Arrangement Resolution. See "Interest and Intentions of Principal Shareholder and Management in Respect of the Arrangement".

## **CANADIAN AND U.S. FEDERAL INCOME TAX CONSEQUENCES**

Shareholders should read carefully the detailed information provided by counsel under the heading "Shareholder Consequences of Arrangement - Income Tax Act Consequences" which qualifies the following comments, and should also consult with their own tax advisers regarding the particular income tax consequences of the Arrangement to them.

Shareholders (other than Dissenting Shareholders) who are resident in Canada or the United States generally will receive the BC TELECOM Common Shares without any immediate Canadian or United States federal income tax liability, unless they choose otherwise.

## **RIGHTS OF DISSENTING SHAREHOLDERS**

Under the Arrangement and the Interim Order, a Shareholder is entitled to dissent in respect of the Arrangement Resolution and to be paid the fair value of that holder's BC TEL Ordinary Shares if BC TEL has received from such Shareholder a written objection at or prior to the Meeting. Provided that the Arrangement becomes effective, each Dissenting Shareholder will be entitled to be paid the fair value of the BC TEL Ordinary Shares in respect of which that holder dissents in accordance with Section 190 of the CBCA. See "Shareholder Consequences of the Arrangement - Dissenting Shareholders".

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Farris, Vaughan, Wills & Murphy, legal counsel to BC TEL and BC TELECOM, had the Arrangement become effective on the date hereof, the BC TELECOM Common Shares would be eligible investments under certain statutes. See "Shareholder Consequences of the Arrangement - Eligibility For Investment".

In the further opinion of such counsel, had the Arrangement become effective on the date hereof, the BC TELECOM Common Shares would be qualified investments for certain trusts or plans under the Canadian Tax Act.

## **STOCK EXCHANGE LISTINGS**

The Vancouver, Toronto and Montreal stock exchanges have conditionally approved the listing for trading of the BC TELECOM Common Shares on such exchanges, subject to the fulfillment of certain conditions.

The BC TEL Preferred Shares will continue to be listed on those exchanges on which they were listed prior to the Effective Date.



## **DISCLOSURE DOCUMENTS AVAILABLE**

The following documents regarding BC TEL, filed with securities commissions or similar authorities in Canada are available (without charge to Shareholders) upon request to the Corporate Secretary of BC TEL, c/o Investor Relations, 19th Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7, telephone number (604) 432-2413 in the Vancouver area or outside Canada, and/or 1-800-663-9405 elsewhere in Canada.

The following documents filed with securities commissions or similar authorities in the provinces of Canada are specifically incorporated by reference into and form an integral part of this Circular:

- (a) the Annual Report to Shareholders for the year ended December 31, 1992;
- (b) the Annual Information Form of BC TEL dated April 16, 1992, under Canadian securities laws; and
- (c) the material change report of BC TEL dated February 23, 1993, with respect to the continuance of BC TEL under the CBCA and the decision of the Board of Directors to proceed with the Reorganization.

Any annual information form, material change reports (excluding confidential reports, if any), interim unaudited financial statements and information circulars filed by BC TEL with securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Circular and prior to the Meeting or an adjournment thereof, shall be deemed to be incorporated by reference into and form an integral part of this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.



## **GENERAL INFORMATION**

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of BC TEL and its Board of Directors. The accompanying form of proxy is for use at the Meeting of the Shareholders to be held on April 15, 1993 and at any adjournment thereof for the purposes set forth in the accompanying Notice of Annual and Special General Meeting.

It is anticipated that this Circular and the accompanying Proxy Form will be first mailed to the Shareholders on or about March 12, 1993. Unless otherwise stated, information contained in this Circular is given as at February 23, 1993. The head and registered office of BC TEL is located at 3777 Kingsway, Burnaby, British Columbia V5H 3Z7 and its telephone number is (604) 432-2413 in the Vancouver area, or outside Canada and/or 1-800-663-9405 elsewhere in Canada.

This solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by employees of BC TEL (See "Solicitation of Proxies").

## **VOTING SHARES**

On February 23, 1993, there were 112,550,484 BC TEL Ordinary Shares outstanding. The BC TEL Ordinary Shares entitle the holders of record on March 2, 1993 to one vote per share at the Meeting. On February 23, 1993, Anglo-Canadian owned, directly and indirectly 56,838,976 BC TEL Ordinary Shares representing approximately 50.5% of the issued and outstanding BC TEL Ordinary Shares. Anglo-Canadian is beneficially and controlled as to 100% of its common shares by GTE of Stamford, Connecticut. There are no other Shareholders, known to the Corporation, who own in excess of 10% of the issued and outstanding BC TEL Ordinary Shares with the exception of The Canadian Depository for Securities Limited, which may hold in excess of 10% of such shares for the benefit of its participants.

## **APPOINTMENT OF PROXY AND DISCRETIONARY AUTHORITY**

Shareholders who are unable to be present at the Meeting may still vote through the use of proxies. If you are a Shareholder, you should complete, execute and return the enclosed Proxy Form. By doing so, you can participate in the Meeting through the person or persons named on the Proxy Form. Please indicate the way you wish to vote on each item of business and your vote will be cast accordingly. If you do not indicate a preference, the BC TEL Ordinary Shares represented by the enclosed Proxy Form, if the same are executed in favour of the management nominees named in the Proxy Form and deposited as provided in the Notice of Meeting, will be voted for the election as directors of the nominees named herein, in favour of the appointment of auditors and in favour of the Arrangement Resolution and of all other matters identified in such Notice of Meeting.

## **DISCRETIONARY AUTHORITY OF PROXY**

The enclosed Proxy Form confers discretionary authority upon the proxy nominees with respect to amendments or variations to the matters identified in the Notice of Meeting and other matters which may properly come before the Meeting.

The Board of Directors and management do not know of any such matter which may be presented for consideration at the meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the management nominees named in the appropriate Proxy Form.

On any ballot that may be called for at the Meeting, all BC TEL Ordinary Shares in respect of which the management nominees named in the accompanying Proxy Form have been appointed to act will be voted or withheld from voting in accordance with the specifications of the Shareholder signing the appropriate Proxy Form. If no such specification is made, then the BC TEL Ordinary Shares will be voted for the election as directors of the nominees named herein, in favour of the appointment of auditors and in favour of the Arrangement Resolution and of all the matters identified in the Notice of Meeting.

To be effective for use at the Meeting, proxies must be returned to the Company at its registered office, 19th Floor, 3777 Kingsway, Burnaby, British Columbia at or before 10:00 a.m. (Vancouver time) on the last business day preceding the day of the Meeting (or any adjournment of the Meeting), or with the Chairman of the Meeting prior to commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.



Only Shareholders of record at the close of business on March 2, 1993 of BC TEL Ordinary Shares will be entitled to vote in respect of the matters to be voted upon at the Meeting, or any adjournment thereof, including without limitation, the Arrangement Resolution. In certain circumstances a person who has acquired BC TEL Ordinary Shares subsequent to March 2, 1993 may be entitled to vote the BC TEL Ordinary Shares upon making a written request to that effect by April 5, 1993 to the Corporate Secretary of BC TEL at the registered office of BC TEL, 19th Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 and establishing that such shares are owned by such person.

With respect to each matter properly before the Meeting, each Shareholder shall be entitled to one vote for each BC TEL Ordinary Shares registered in the name of such Shareholder.

A Shareholder has the right to appoint a person other than the management nominees designated on the appropriate accompanying Proxy Form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy Forms which appoint persons other than the management nominees whose names are printed on the Proxy Form should be submitted to BC TEL and the persons so appointed should be notified. The person acting as proxy need not be a Shareholder.

On any ballot that may be called for at the Meeting, all BC TEL Ordinary Shares in respect of which the person named in a Proxy Form has been appointed to act must be voted or withheld from voting in accordance with the specification of the Shareholder signing such Proxy Form. If no such specification is made, then the BC TEL Ordinary Shares may be voted in accordance with the best judgment of the person named in the Proxy Form. Furthermore, the person named in the Proxy Form will have discretionary authority with respect to any amendments to the matters set forth in the Notice of Meeting and with respect to any other matters that may properly come before the Meeting, and will be voted on such amendments and other matters in accordance with the best judgment of the person named in such Proxy Form.

## **REVOCATION OF PROXY**

Proxies given by Shareholders may be revoked at any time prior to their use by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of BC TEL, 19th Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7, at any time up to and including 4:00 o'clock p.m. on the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law, including, without limitation, personal attendance at the Meeting.

If the instrument of revocation is deposited with the Chairman on the date of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such Proxy.

## **SOLICITATION OF PROXIES**

The cost of this solicitation of proxies will be borne by BC TEL. BC TEL will reimburse brokers, custodians, nominees and other fiduciaries for the proper charges and expenses incurred in forwarding this Circular and related materials to beneficial owners of BC TEL Ordinary Shares. In addition to solicitation by mail, officers, directors and regular employees of BC TEL may, without additional compensation, solicit proxies personally or by telephone.

## **ANNUAL MEETING BUSINESS**

### **ELECTION OF DIRECTORS**

The Articles of BC TEL provide that the Board of Directors shall consist of not less than three nor more than eleven members, each of whom shall be elected at an annual general meeting for a term of one year. The following table sets out the information respecting all persons proposed to be nominated for election as directors, all of whom are now directors of BC TEL, except for Robert H. Lee.



None of the persons named below holds any shares of Anglo-Canadian or GTE other than Gordon F. MacFarlane, Kent B. Foster and James L. Johnson who own, respectively, 1,634, 34,605 and 88,077 common shares of GTE. The number of shares beneficially owned, or over which control or direction is exercised, not being within the knowledge of BC TEL, has been supplied by the individual concerned.

Name and Office Presently Held with BC TEL	Present Principal Occupation	Date Became Director of BC TEL	BC TEL Shares <u>Beneficially Owned or Controlled</u>	
			Ordinary	Preference or Preferred
Gordon Frederick MacFarlane Chairman (2)	Chairman of BC TEL	February 10, 1977	11,877	—
Brian Albert Canfield President and Chief Executive Officer (2)	President and Chief Executive Officer of BC TEL	April 6, 1989	13,525	—
George Neldon (Mel) Cooper, C.M. O.B.C.	President Seacoast Communication Group Inc. (Broadcasting)	March 24, 1988	1,251	—
Kent Benard Foster (3)	President GTE Telephone Operations Group (Consolidated group of telecommunications companies)	February 15, 1989	2,002	—
Mary Rendina Kathleen Hamilton, Q.C.	Barrister and Solicitor	March 27, 1980	400	10
James Lawrence Johnson (3)	Chairman Emeritus, GTE Corporation (Comprehensive service corporation)	March 24, 1983	2,002	—
Robert Horne Lee	President, Prospero Group of Companies (Commercial real estate sales, investment and property management)	—	1,000	—
Victor Frederick MacLean (1)	BC TEL director	March 29, 1967	2,500	—
John Wilson Pitts (1) (2)	President and Chief Executive Officer, MacDonald Dettwiler & Associates Ltd. (Designer/Manufacturer - high technology)	February 21, 1975	2,000	—
Barbara Joyce Rae (1) (2)	Chairman, ADIA Canada Ltd. (Office automation and personnel services)	March 21, 1985	1,423	—
William Robert Wyman	Chairman, Finning Ltd. (Heavy equipment - sales and service)	March 20, 1986	3,076	—



**NOTE:** (1) A member of the Audit Committee.

(2) Also a director of one or more subsidiaries of BC TEL.

(3) Also a director of a number of subsidiaries of GTE.

During the past five years all of the directors have been directors of, or employed in various capacities by, the companies indicated opposite their names or predecessor or subsidiary companies thereto, except William Robert Wyman, who prior to March 1991 held various senior positions with RBC Dominion Securities Inc. or its predecessor companies, and prior to July 2, 1992 was Chairman and Chief Executive Officer of British Columbia Hydro and Power Authority.

The management does not expect that any of the nominees will be unable to serve as a director but, in that event, discretionary authority may be exercised to vote for a substitute.

## **EXECUTIVE COMPENSATION**

### ***CASH COMPENSATION***

The 14 "executive officers" of BC TEL, as such term is defined in applicable legislation, were paid aggregate cash compensation of \$2,267,385 by BC TEL and its subsidiaries for services rendered during the financial year ended December 31, 1992.

Directors of BC TEL who are not officers, are paid a fee of \$3,000 per quarter. Directors are also paid fees of \$800 per meeting for attendance at meetings of the Board and at committees of the Board of Directors.

### ***OTHER COMPENSATION***

The executive officers of BC TEL participate in a variable incentive compensation plan which was established in 1992. Awards to any specific individuals thereunder, are based on BC TEL's performance for the financial year, determined on an earnings per share basis, service results based on quality index ratings, and individual performance measured against annual objectives. These awards are overseen by the human resources and compensation committee of the Board of Directors. No amounts were paid during 1992 with respect to this plan.

The executive officers of BC TEL participate in a defined benefit pension plan. This plan provides for an annuity based on 1.85% of the executive officers average highest compensation for any five years times years of service, which for certain executive officers may include employment prior to joining BC TEL. The earliest time at which a participant may retire without any benefit reduction under these arrangements is at age 55. The required current service costs to this BC TEL sponsored pension plan for executive officers and all management and exempt employees was actuarially determined to be 7.1% of pensionable earnings. This amount was \$186,544 in 1992 for executive officers. There was also an undetermined amount which is included in the funding of past service liability, the total of which was actuarially determined for management and exempt employees of BC TEL as at December 31, 1990, and which is being amortized over fifteen years to 2005. Directors of BC TEL as such, are not entitled to receive any pensions. No affiliate contributes any part of the cost of providing for pensions for any executive officers of BC TEL.

In 1984, BC TEL established a supplementary income plan (the "SI Plan") for executive officers as designated by the human resources and compensation committee of the Board of Directors. The SI Plan provides for an amount to be paid thereunder to a retired executive officer to supplement BC TEL's defined benefit pension plan to a maximum of 70% of the average annual earnings for the three consecutive years of the highest annual earnings of that retired executive officer. The supplement is reduced where years of service are less than 35 or where the executive employee retires prior to attaining 60 years of age. BC TEL expended \$665,670 with respect to the SI Plan in 1992.

The executive officers of BC TEL participate in plans which provide company vehicles, club memberships, housing assistance, financial counselling and telephone services. The total amount paid by BC TEL in respect of the executive officers during 1992 for all of such plans was less than \$11,000 per executive officer.



## *LONG-TERM INCENTIVE SHARE OPTION PLAN*

In 1986, BC TEL established the BC TEL LISOP for the benefit of key employees of BC TEL and its subsidiaries to permit such key employees to purchase BC TEL Ordinary Shares from time to time. The BC TEL LISOP permits the grant of options to key employees to purchase BC TEL Ordinary Shares over a specified period of time up to 10 years from the date of grant, at a price equal to the closing price of a board lot of the BC TEL Ordinary Shares on The Toronto Stock Exchange on the day before the date of the grant of the option. Pursuant to the BC TEL LISOP as amended from time to time, the maximum number of BC TEL Ordinary Shares that may be granted thereunder, in any one fiscal year, is 0.75% of the issued and outstanding BC TEL Ordinary Shares. The BC TEL LISOP provides that options may be vested in periods of up to 10 years and may permit vesting from time to time. BC TEL granted to its executive officers options under the BC TEL LISOP on February 18, 1992, to purchase up to 116,000 BC TEL Ordinary Shares between February 18, 1993 and February 18, 2002 at a price of \$22.125 per share which options vest as to 50% on February 18, 1993, as to 25% on February 18, 1994, and as to 25% on February 18, 1995. 21,700 BC TEL Ordinary Shares were issued during 1992 pursuant to options previously granted to executive officers at exercise prices of \$14.00 and \$17.75 per share resulting in an aggregate net value realized on such transactions of \$130,825.

## *DIRECTORS AND OFFICERS LIABILITY INSURANCE*

BC TEL, together with all affiliates of GTE, has directors and officers liability insurance. BC TEL has a total of \$125 million of coverage for both directors and officers as a group. BC TEL, through its by-laws, indemnifies all directors and officers and is liable in respect of directors and officers for an additional loss retention under the insurance policy of \$5,000 for each director or officer, but no more than \$50,000 aggregate for each loss. Premium payments totalling \$93,000 (US) were made by BC TEL in the financial year ended December 31, 1992, covering the twelve month period from May 19, 1992 to May 19, 1993.

## *INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS*

Since the commencement of BC TEL's last financial year, BC TEL has had a number of transactions in the ordinary course of its business with GTE, of Stamford, Connecticut and its subsidiaries and affiliates, for the supply of goods and services.

## *APPOINTMENT OF AUDITORS*

Arthur Andersen & Co., Chartered Accountants, of 1177 West Hastings Street, Vancouver, British Columbia, will be nominated for appointment as auditors of BC TEL to hold office until the close of the next annual general meeting. Such auditors were first appointed on March 14, 1968.

Representatives of Arthur Andersen & Co. are expected to be present at the meeting and may make any statement or answer any questions.



## PARTICULARS OF THE REORGANIZATION

### PURPOSE

On February 23, 1993, the Board of Directors unanimously approved the proposed Reorganization to segregate the regulated utility operations of the BC TEL group of companies from the non-regulated operations. Holders of BC TEL Ordinary Shares will become shareholders of BC TELECOM, which will have two principal subsidiaries:

- (a) BC TEL, which will continue to conduct a regulated telecommunications business and will continue to hold shares in those subsidiaries integral to it. These subsidiaries will include CT&S and BC TEL's investment in the Stentor group of companies; and
- (b) BC TEL Services, which through the Subsidiaries will continue to conduct non-regulated operations, including the provision of cellular, mobile and wireless communication services.

The purpose of the Reorganization is to:

- (a) provide segregation of the regulated and non-regulated operations of BC TEL thereby simplifying and facilitating the regulatory process of BC TEL by the CRTC. The effect of the Reorganization will include the separation of BC TEL from the business uncertainties inherent in less regulated businesses undertaken by the Subsidiaries. This separation will therefore be of benefit to BC TEL and all of the holders of its shares; and
- (b) allow greater flexibility for the BC TEL group of companies, both regulated and non-regulated, to develop and finance independently their respective operations; to take advantage of new and emerging business opportunities in the telecommunications and related fields; to facilitate the future growth of the BC TELECOM group, particularly in the non-regulated operations; and to improve access by the non-regulated subsidiaries to the capital markets thereby providing greater flexibility in financing their operations and growth.

The structure resulting from the Reorganization will create a new public corporation, BC TELECOM, which will own all of the BC TEL Ordinary Shares and all of the shares of BC TEL Services, thereby indirectly owning the Subsidiaries.

Holders of BC TEL Preferred Shares will continue to hold their investment in BC TEL.

### SEQUENCE AND DESCRIPTION OF REORGANIZATION STEPS

The Reorganization is comprised of the Arrangement and the Post-Arrangement Steps. In connection with and immediately prior to the Arrangement, BC TELECOM will issue to BC TEL Mobility Cellular Inc., 1,000 redeemable retractable voting second preferred shares of BC TELECOM for an aggregate consideration of approximately \$160 million. See "Description of BC TELECOM - Description of BC TELECOM Share Capital".

### THE ARRANGEMENT

Should the requisite majority of Shareholders vote in favour of the Arrangement Resolution and should all other conditions precedent be fulfilled, upon the Arrangement becoming effective, the following transactions will occur contemporaneously with each other on the Effective Date:

- (a) the issued and outstanding BC TEL Ordinary Shares will be exchanged for an equal number of BC TELECOM Common Shares to be issued from BC TELECOM's treasury, on a one for one basis;
- (b) the one BC TELECOM Common Share, presently owned by BC TEL Services, will be cancelled; and
- (c) British Columbia Telephone Company will change its name to "BC TEL".

## **THE POST-ARRANGEMENT TRANSACTIONS**

In order to effect the transfer of the common shares of BC TEL Services to BC TELECOM, immediately after the completion of the steps of this Arrangement and on the Effective Date, the stated capital of BC TEL Services will be increased by an amount of approximately \$460 million to reflect the difference (the "Adjustment Payment") between BC TEL's adjusted cost base of the common shares of BC TEL Services and the estimated fair market value of the common shares of BC TEL Services on the Effective Date. The Board of Directors will declare a dividend on the BC TEL Ordinary Shares then held by BC TELECOM, in an amount equal to the fair market value of the common shares of BC TEL Services, which dividend will be satisfied by the transfer to BC TELECOM of the common shares of BC TEL Services.

After completion of the steps of the Arrangement and as part of the Post-Arrangement Transactions, certain steps will be effected to ensure that the tax consequences for the BC TEL group of companies will not be altered by the Reorganization. Through a series of steps the stated capital of the common shares of BC TEL Services will be reduced by an amount equal to the Adjustment Payment and BC TEL Services will pay that amount to BC TELECOM.

After completion of these steps of the Reorganization, former shareholders of BC TEL prior to the Arrangement will become holders of the same number of BC TELECOM Common Shares and BC TELECOM will own all of the issued and outstanding shares of BC TEL and BC TEL Services. As BC TEL Services owns all the shares of the Subsidiaries, BC TELECOM will indirectly control the Subsidiaries.

BC TEL may, prior to the Effective Date, effect a transfer of a division of BC TEL into a Subsidiary for the purpose of recognizing changes which occurred relating to the establishment of the Stentor group of companies. The effect on BC TEL of this transaction is not material.

## **APPROVAL BY AND RECOMMENDATION OF THE BOARD OF DIRECTORS**

On January 22, 1993, the Board of Directors of BC TEL unanimously approved, subject to certain conditions, the continuance of BC TEL under the CBCA and on February 22, 1993 Articles of Continuance were issued to BC TEL. On February 23, 1993, the Board of Directors unanimously approved the Reorganization and authorized submission of the Arrangement to the Shareholders and the Court for consideration with a view to implementation.

The decision of the Board of Directors to approve the Arrangement for submission to the Shareholders and to the Court was reached by the Board of Directors after consideration of many factors, including principally the following:

1. The Reorganization is intended to provide regulatory segregation of BC TEL and its telecommunications services and systems from certain non-regulated investments of BC TEL which will simplify and facilitate the regulation of BC TEL by the CRTC.
2. The Reorganization will provide greater flexibility for the BC TEL group of companies (in both regulated and non-regulated operations) and for developing and financing its existing businesses and new opportunities in the telecommunications and related fields.
3. Pursuant to the terms of the Arrangement, all Shareholders will be treated equally in that:
  - (a) only Shareholders will participate in the share exchange to be effected by the Arrangement; and
  - (b) the share exchange ratio will be the same for all participating Shareholders (i.e. one BC TELECOM Common Share for each BC TEL Ordinary Share).
4. The Board of Directors has received advice that holders of BC TEL Ordinary Shares (other than Dissenting Shareholders) who are resident in Canada or the United States, generally will receive the BC TELECOM Common Shares without any immediate Canadian or United States federal income tax liability, unless they choose otherwise. See "Shareholder Consequences of Arrangement - Income Tax Consequences". Although similar treatment may not be available under the tax laws of other jurisdictions for certain Shareholders, the Board of Directors believes that the number of BC TEL Ordinary Shares held by Shareholders who will not participate in the Arrangement without any immediate federal income tax consequences is not material.



5. The Board of Directors has received advice from RBC DS that the Reorganization is fair to the Shareholders from a financial point of view and does not materially adversely affect holders of the BC TEL Preferred Shares. See "The Reorganization - Advice of the Financial Advisor".
6. In order to be implemented, the Arrangement must be approved by a 66-2/3% majority of votes cast at the Meeting, and by the Court which, as legal counsel to BC TEL have advised, will consider among other things, the fairness of the Arrangement to the holders of shares of BC TEL. See "The Reorganization - Conditions to the Arrangement Becoming Effective".
7. The Arrangement includes provisions to the effect that Shareholders who are opposed to the Arrangement may, upon compliance with certain conditions, dissent from the approval of the Arrangement Resolution in accordance with the CBCA and be paid the fair value of their BC TEL Ordinary Shares as provided therein (See "The Reorganization - Dissenting Shareholders"). The Board of Directors reserves the right, however, to terminate the Arrangement Agreement at any time before the Effective Date if, among other things, it determines that in view of the number of BC TEL Ordinary Shares in respect of which rights of dissent have been exercised, it would be inadvisable for BC TEL to proceed with the Arrangement. See "The Reorganization - Termination of the Arrangement Agreement".
8. The BC TELECOM Common Shares will be eligible investments under certain statutes. See "Shareholder Consequences of Arrangement - Eligibility for Investment".
9. The Vancouver Stock Exchange, The Toronto Stock Exchange and the Montreal Exchange have confirmed the listing for trading thereon of BC TELECOM Common Shares and conditionally approved the listing or quotation thereof subject to the fulfilment of the requirements of such exchanges. See "Shareholder Consequences of Arrangement - Stock Exchange Listings".

**The Board of Directors has unanimously concluded that the Reorganization is in the best interests of BC TEL and is fair to all holders of shares of BC TEL and recommends that all Shareholders vote in favour of the Arrangement Resolution and thereby approve the implementation of the Reorganization. Implementation of the Arrangement is subject to fulfillment of all conditions.**

#### **ADVICE OF THE FINANCIAL ADVISOR**

RBC DS was retained by BC TEL to provide financial advice to the Board of Directors in respect of the Reorganization, including advice as to whether the Reorganization is fair to the Shareholders from a financial point of view and does not materially adversely affect the holders of the BC TEL Preferred Shares. RBC DS is an integrated Canadian investment dealer which has extensive experience as a financial advisor to major Canadian and international corporations, and was selected on the basis of its expertise in such matters and its familiarity with BC TEL and its subsidiaries. No limitations were imposed by BC TEL or the Board of Directors on RBC DS in connection with its advice or the scope of its investigation.

The Board of Directors was advised by RBC DS on February 23, 1993 that, subject to and based upon the following, and after considering such factors as RBC DS considered relevant, RBC DS had concluded that the Reorganization is fair to the Shareholders from a financial point of view and does not materially adversely affect the holders of BC TEL Preferred Shares.

In rendering this advice, RBC DS reviewed, considered and relied upon, among other things:

- (a) the information contained in a draft of this Circular, including the terms of the Reorganization and the Arrangement Agreement;
- (b) the operating and financial results of BC TEL and the Subsidiaries and the financial outlook for BC TEL and the Subsidiaries;
- (c) discussions with the management of BC TEL and the Subsidiaries;

- (d) stock market trading data relating to the BC TEL Ordinary Shares and the BC TEL Preferred Shares;
- (e) certain stock market trading and financial data on selected comparable companies in Canada and other relevant historical stock market data; and
- (f) the current state of financial markets.

RBC DS assumed that all information which it received relating to BC TEL and its subsidiaries was accurate and complete and did not conduct any separate investigation for the purpose of verifying the accuracy or completeness of any such information nor did it attempt to identify any changes in such information since the date the information was provided or made available to it.

RBC DS' financial advice was rendered on the basis of securities markets, economic and general business and financial conditions prevailing at the time such advice was rendered and the condition and prospects, financial and otherwise, of BC TEL and the subsidiaries as they were represented in the information and documents reviewed by it. RBC DS assumed that all of the conditions required to implement the Reorganization will be satisfied and that the Reorganization will proceed as described and substantially within the time frame specified in the Circular.

RBC DS considered the Reorganization only in relation to the existing corporate structure of BC TEL and did not prepare any valuations of BC TELECOM or BC TEL for the purposes of its assessment of the fairness of the Reorganization from a financial point of view.

RBC DS' conclusion was based principally upon the following:

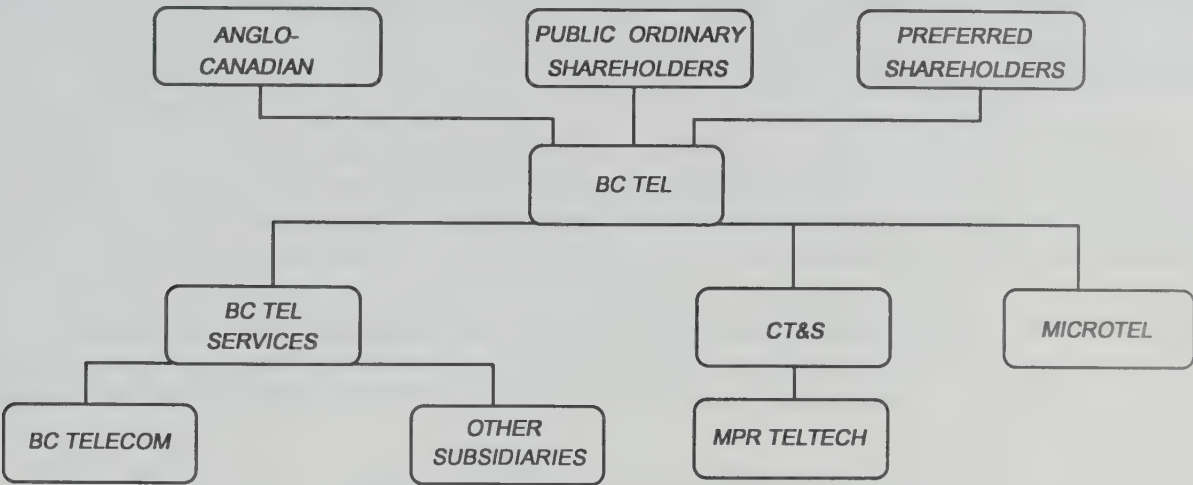
- (a) Under the Reorganization, the issued and outstanding BC TEL Ordinary Shares will be exchanged for an equal number of BC TELECOM Common Shares to be issued from BC TELECOM's treasury, on a one-for-one basis and all BC TEL Ordinary Shares will be dealt with in the same manner.
- (b) The BC TELECOM Common Shares will be the same as the BC TEL Ordinary Shares with respect to share attributes, listing thereof on stock exchanges, eligibility for investment under certain statutes and management's expectations for dividend payments and policy.
- (c) The holders of BC TELECOM Common Shares will own the same pro rata interest in the assets of the BC TELECOM group of companies as they owned as holders of BC TEL Ordinary Shares in the BC TEL group of companies.
- (d) The Reorganization will provide segregation of the regulated and non-regulated businesses of the BC TEL group of companies which will simplify the regulation of BC TEL by the CRTC.
- (e) The Reorganization will provide greater flexibility to the managements of both regulated and non-regulated businesses to independently develop and finance their respective businesses.
- (f) The terms and provisions of the BC TEL Preferred Shares will not be affected by the Reorganization.
- (g) CBRS Limited and Dominion Bond Rating Service Limited have advised that their respective ratings as currently applied to the Preferred Shares will not be affected by reason of the Reorganization.
- (h) It's view that the separation of BC TEL from the business uncertainties inherent in the non-regulated business of the BC TELECOM group of companies will be of benefit to the holders of the BC TEL Preferred Shares.
- (i) A review of the investment quality of the BC TEL Preferred Shares as measured by the calculation of selected investment financial ratios on a pre- and post Reorganization basis.



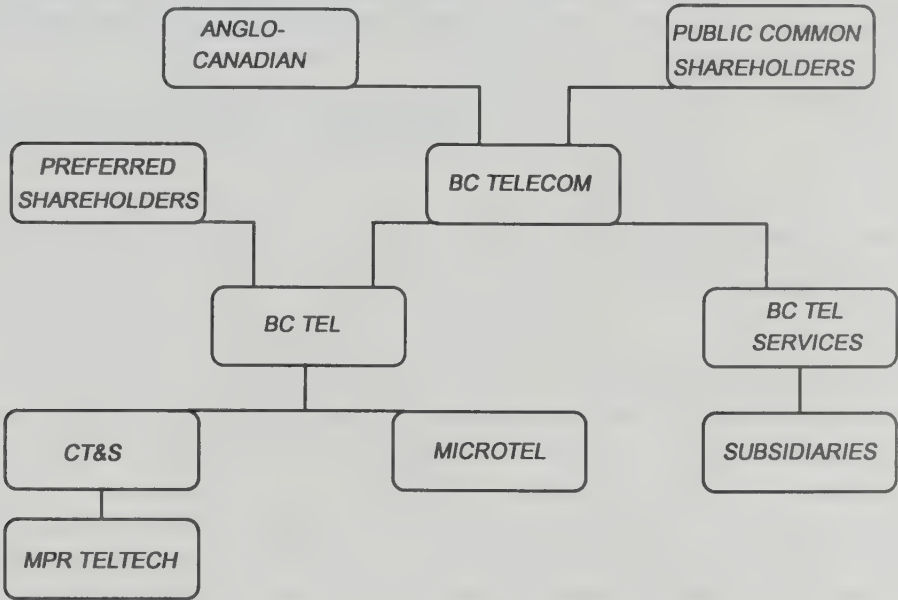
CORPORATE STRUCTURE

Presented below is the corporate structure of BC TEL and its subsidiary corporations before and after the Arrangement and the Post-Arrangement Transactions.

(a) Corporate Structure Immediately Prior to Reorganization:



(b) Corporate Structure Immediately Following Reorganization:



PLAN OF ARRANGEMENT AND ARRANGEMENT AGREEMENT

The board of directors of each of BC TEL and BC TELECOM has authorized the entering into, and both such corporations have entered into the Arrangement Agreement. A copy of the Arrangement Agreement is annexed as Schedule B to this Circular and a copy of the Plan of Arrangement is attached as Exhibit 1 to the Arrangement Agreement.

The Arrangement Agreement provides that it may be amended by the parties thereto before or after the Meeting without further notice to the Shareholders provided it is deemed by the board of directors of each of BC TEL and BC TELECOM to be in the interests of the Shareholders so to do. In addition, the Arrangement Agreement provides that the parties thereto may take any action and enter into any transaction which may be necessary or advisable to comply with the Advance Tax Rulings. See "Particulars of the Reorganization - Advance Tax Rulings".

The Final Order will constitute the basis for an exemption from certain requirements under the Securities Act of 1933, as amended of the United States of America with respect to the securities to be issued under the Arrangement.

## CONDITIONS TO THE ARRANGEMENT BECOMING EFFECTIVE

In order for the Arrangement to become effective, the following must occur:

- (a) the Arrangement must receive the approval of the Shareholders as described under "Shareholder Approval";
- (b) the Arrangement must be approved by the Court, as described under "Court Approval";
- (c) the Advance Tax Rulings must be in full force and effect and unamended, except at the request of BC TEL;
- (d) BC TEL, BC TELECOM and BC TEL Services shall be able to complete the Post-Arrangement Transactions after the Arrangement is effective;
- (e) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to the Arrangement, and no cease trading or similar order with respect to any securities of BC TEL or BC TELECOM shall have been issued and remain outstanding;
- (f) BC TEL and BC TELECOM shall have received all necessary orders and rulings from various securities commissions and regulatory authorities in the relevant provinces of Canada, where required;
- (g) the BC TELECOM Common Shares shall have been conditionally listed for trading on the Vancouver, Toronto and Montreal stock exchanges, subject to compliance with the listing requirements of such exchanges;
- (h) all other material consents, waivers, orders and approvals, including regulatory approvals and orders necessary for the completion of the Arrangement and the Post-Arrangement Transactions, shall have been obtained or received as determined by BC TEL; and
- (i) none of the consents, waivers, orders or approvals contemplated herein shall contain conditions or require undertakings considered unsatisfactory or unacceptable by BC TEL.

Upon fulfillment of the foregoing conditions, the Board of Directors intends to cause Articles of Arrangement to be filed with the Director together with such other material as may be required by the Director under the CBCA in order that he may issue a certificate of amendment giving effect to the Arrangement. The Effective Date of the Arrangement will be the date set out in such certificate of amendment.

The obligations of each of BC TEL and BC TELECOM to complete the transactions contemplated by the Arrangement Agreement are further subject to the condition, which may be waived by any such party without prejudice to its right to rely on any other condition in its favour, that each and every one of the covenants of the other parties thereto to be performed on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall have been duly performed by each of them and that, except as affected by the transactions contemplated by the Arrangement Agreement, the representations and warranties of such other parties thereto shall be true and correct in all material respects as at such Effective Date, with the same effect as if such representations and warranties had been made at and as of such time, and each such party shall have received a certificate, dated the Effective Date, of a senior officer of each other party confirming the same.

## SHAREHOLDER APPROVAL

The Interim Order in respect of the Arrangement was issued on March 3, 1993. The Interim Order provides that in order for the Arrangement to be implemented, the Arrangement Resolution must be passed, with or without variation, by at least 66-2/3% of the votes cast in respect of the Arrangement Resolution by Shareholders present or voting by proxy, at the Meeting. A copy of the Interim Order is attached as Schedule C.



## **COURT APPROVAL**

An arrangement under the CBCA requires court approval. Prior to the mailing of this Circular, BC TEL obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. The Notice of Petition with respect to the Final Order appears at the front of the package of which this Circular forms a part. As set out in the Notice of Petition, the hearing in respect of the Final Order is scheduled to take place on April 16, 1993 at 10:00 a.m. (Vancouver time) at the Law Courts Building, 800 Smithe Street, Vancouver, British Columbia, or as soon thereafter as counsel may be heard, subject to the approval of the Arrangement by the Shareholders at the Meeting. At this hearing, all Shareholders and other interested parties who wish to participate or be represented or to present evidence or argument may do so, subject to filing an appearance, including this address for service, together with evidence or materials which are to be presented to the Court and satisfying other requirements.

The authority of the Court is very broad under the CBCA. BC TEL has been advised by its legal counsel, Farris, Vaughan, Wills & Murphy, that the Court will consider, among other things, the fairness of the Arrangement to the shareholders of BC TEL. The Court may approve the Arrangement either as proposed or as amended in any manner that the Court may direct, subject to compliance with such terms and conditions, if any, as the Court shall order. However, it is a condition to the completion of the Arrangement that the Final Order be, in form and substance, satisfactory to BC TEL.

## **EFFECTIVE DATE OF THE ARRANGEMENT**

If the Meeting is held on April 15, 1993, as scheduled, and is not adjourned, and if the Shareholders approve the Arrangement Resolution in accordance with the Interim Order, BC TEL will apply on April 16, 1993, or as soon thereafter as counsel may be heard for the Final Order permitting the Arrangement to be effected upon fulfillment of the conditions to the Arrangement becoming effective having been met. See "Particulars of the Reorganization - Conditions to the Arrangement Becoming Effective". It is not possible to specify what the Effective Date will be. However, BC TEL currently anticipates that the Effective Date will be no later than July 15, 1993, but may be as early as May 1, 1993. As soon as the Effective Date has been determined, it will be publicized on the Canada Newswire Service, and in a major Canadian national newspaper.

## **TERMINATION OF THE ARRANGEMENT AGREEMENT**

The Arrangement Agreement may, at any time before or after the holding of the Meeting but no later than the Effective Date be terminated by the Board of Directors without further notice to, or action on the part of, Shareholders.

Without limiting the generality of the foregoing, the Board of Directors, acting reasonably, may terminate the Arrangement Agreement:

- (a) in the event that any right of dissent is exercised pursuant to the Plan of Arrangement in respect of BC TEL Ordinary Shares and the Board of Directors determines in its sole judgment that as a result it would be inadvisable in such circumstances for BC TEL to proceed with the Arrangement; or
- (b) if prior to the Effective Date of the Arrangement there is any material change in the business, operations, property, assets, liabilities or condition, financial or otherwise, of BC TEL or BC TELECOM, or any change in general economic conditions, interest rates or any outbreak or material escalation in, or the cessation of, hostilities or any other calamity or crisis, or there should develop, occur or come into effect any occurrence which has a material effect on the financial markets of Canada and the Board of Directors determines in its sole judgment that it would be inadvisable in such circumstances for BC TEL to proceed with the Arrangement.

## **ADVANCE TAX RULINGS**

BC TEL has obtained Advance Tax Rulings from Revenue Canada and from the IRS confirming that the Reorganization will have no adverse tax consequences to BC TEL, BC TELECOM or BC TEL Services.

## SHAREHOLDER CONSEQUENCES OF ARRANGEMENT

### INCOME TAX CONSEQUENCES

The following summary of the income tax consequences to the Shareholders, BC TEL and BC TELECOM of the Reorganization being implemented is based on the opinion of Thorsteinssons, Canadian tax counsel to BC TEL and BC TELECOM, insofar as they relate to the Canadian federal income tax consequences, and on the opinion of General Tax Counsel of GTE, insofar as they relate to United States federal income tax consequences.

#### *CANADIAN FEDERAL INCOME TAX CONSEQUENCES*

Thorsteinssons are of the opinion that the following general summary fairly describes the principal Canadian federal income tax consequences of the Arrangement and the exercise of dissent rights to Shareholders other than GTE who, for purposes of the Canadian Tax Act, hold BC TEL shares as capital property.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be, and should not be construed as, legal or tax advice to any Shareholder. No representation is made with respect to the Canadian income tax consequences to any Shareholder. Shareholders should consult their own tax advisors for advice as to the Canadian income tax consequences to them of the Arrangement and the exercise of dissent rights.

This summary is based upon the Canadian Tax Act and its regulations now in force and all specific proposals to amend the Canadian Tax Act and its regulations announced by the Minister of Finance (Canada). This summary does not anticipate changes in law except as so proposed, nor does it take into account provincial or foreign tax consequences, which may differ significantly from the Canadian federal income tax consequences discussed below.

BC TEL Ordinary Shares generally will constitute capital property to any Shareholder who is not a trader or dealer in securities and is not engaged in a venture in the nature of trade with respect to the BC TEL Ordinary Shares. Certain Shareholders resident in Canada whose BC TEL Ordinary Shares might not otherwise qualify as capital property may be entitled to obtain such qualification by making an election under the Canadian Tax Act.

#### *Exchange of Shares*

A Shareholder who receives BC TELECOM Common Shares in exchange for BC TEL Ordinary Shares will not be required to recognize a capital gain or loss on the transaction, but may choose to do so. In the case of a Shareholder who does not choose to recognize a capital gain or loss, the Shareholder's acquisition cost of BC TELECOM Common Shares received on the exchange will be equal to the adjusted cost base of the BC TEL Ordinary Shares exchanged.

If the fair market value of the BC TELECOM Common Shares received by a Shareholder on the exchange exceeds (or is exceeded by) the Shareholder's adjusted cost base of the BC TEL Ordinary Shares exchanged, the Shareholder may choose to recognize the excess (or the deficiency) as a capital gain (or a capital loss) for the taxation year in which the exchange occurs. Three-quarters of any such capital gain would be included in computing the Shareholder's income for that year. Three-quarters of any such capital loss may be applied against the taxable portion of capital gains of the Shareholder for that taxation year or certain other years, subject to certain restrictions in the Canadian Tax Act relating to the application of capital losses. Any Shareholder who is an individual resident in Canada who recognizes a capital gain on the disposition of BC TEL Ordinary Shares may be entitled to a deduction in respect of any available lifetime capital gains exemption. The full amount of any capital gain (net of capital losses) in respect of which the lifetime capital gains exemption has not been claimed and one-quarter of capital gains in respect of which the lifetime capital gains exemption has been claimed are included in determining the adjusted taxable income amount for purposes of the calculation of alternative minimum tax.

A Shareholder who chooses to recognize a capital gain or loss on the exchange of BC TEL Ordinary Shares will be considered to have acquired the BC TELECOM Common Shares at a cost equal to the fair market value of the BC TELECOM Common Shares when issued.

A Shareholder who is not resident in Canada will not be subject to Canadian tax in respect of any capital gain arising from the exchange of BC TEL Ordinary Shares for BC TELECOM Common Shares unless the BC TEL Ordinary Shares



are taxable Canadian property (as defined in the Canadian Act) of such Shareholder and the Shareholder chooses to recognize a capital gain or loss on the exchange. Generally, BC TEL Ordinary Shares will be taxable Canadian property to a Shareholder who is not resident in Canada only if the Shareholder was formerly resident in Canada and owned the BC TEL Ordinary Shares at the time of becoming non-resident, and at that time made an election under subsection 48(2) of the Canadian Tax Act (or an analogous provision) in respect of the BC TEL Ordinary Shares. If a non-resident Shareholder for whom the BC TEL Ordinary Shares are taxable Canadian property does not choose to recognize a capital gain or loss on the exchange, any BC TELECOM Common Shares received on the exchange will be deemed to be taxable Canadian property of the Shareholder.

Any capital gain or loss required to be recognized by a Shareholder who is not resident in Canada is treated in the same manner as a capital gain or loss recognized by a Shareholder who is resident in Canada (refer to the comments above), except that the lifetime capital gains exemption available to Canadian resident individuals will not apply. However, relief may be available under an applicable tax treaty. A Shareholder who is resident in the United States may be entitled to treaty relief on any capital gain recognized on a disposition of BC TEL Ordinary Shares.

#### *Dissenting Shareholders*

A Dissenting Shareholder whose BC TEL Ordinary Shares are purchased by BC TEL will be considered to have received a taxable dividend equal to the amount by which the payment made by BC TEL for the BC TEL Ordinary Shares exceeds the paid up capital attributable to the BC TEL Ordinary Shares, which is \$7.99 per share (as at December 31, 1992). The payment will be considered to be proceeds of disposition to the extent of the paid up capital attributable to the shares purchased by BC TEL.

The deemed dividend will be taxable to the Dissenting Shareholder in accordance with the ordinary rules of the Canadian Tax Act relating to the taxation of dividends paid by a Canadian corporation. In the case of a Dissenting Shareholder who is an individual resident in Canada, the dividend gross-up and tax credit rules will apply. In the case of a Dissenting Shareholder which is a corporation resident in Canada, the deemed dividend will not be subject to Canadian tax except that a private corporation resident in Canada will be liable for refundable tax of 25% of the amount of the deemed dividend.

In the case of a Dissenting Shareholder who is not resident in Canada, the deemed dividend will be subject to Canadian withholding tax of 25%, subject to reduction pursuant to an applicable tax treaty. For a Dissenting Shareholder resident in the United States, the rate of withholding tax will be 15%.

To the extent that the portion of the payment which is considered to be proceeds of disposition exceeds (or is exceeded by) the Dissenting Shareholder's adjusted cost base of the BC TEL Ordinary Shares, the Dissenting Shareholder will be considered to have a capital gain (or capital loss) equal to the amount of the excess (or deficiency). Any such capital gain or loss will be treated in the same manner as a capital gain or loss which a Shareholder may choose to recognize on the exchange of BC TEL Ordinary Shares for BC TELECOM Common Shares. See "Shareholder Consequences of Arrangement - Exchange of Shares".

#### *Other Matters*

The Reorganization will not result in any material adverse income tax consequences to BC TEL or BC TELECOM.

The provision in the Canadian Tax Act that allows Shareholders of BC TEL not to recognize any capital gain or loss on the exchange of BC TEL Ordinary Shares for BC TELECOM Common Shares does not apply to GTE because GTE owns a majority of the BC TEL Shares. However, GTE and BC TELECOM are entitled to make a joint election which achieves substantially the same result, and propose to do so. That joint election will not provide GTE with any tax advantage which is not available to other Shareholders who hold their BC TEL Ordinary Shares as capital property and do not choose to recognize a capital gain or loss on the exchange.

## **UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following discussion is a summary of the material United States federal income tax consequences of the Arrangement under the U.S. Code and applies only to Shareholders of BC TEL who are United States Persons ("U.S. Shareholders"). The discussion is not a complete analysis of all of the tax consequences and, in particular, does not address such tax consequences which may vary with or are contingent upon individual circumstances, such as whether a taxpayer is subject to certain special provisions of the U.S. Code. This discussion does not address any aspects of state, local or foreign tax laws or any United States federal tax laws other than those pertaining to income tax. Consequently, each Shareholder is advised to consult his own tax adviser regarding the tax consequences to him of the Arrangement.

The following discussion of the material United States federal income tax consequences of the Arrangement is based on the opinion of the General Tax Counsel of GTE. Although this discussion represents the General Tax Counsel's best judgment as to the matters discussed herein, it does not in any way bind the IRS or the courts or constitute an assurance that the analysis of the United States federal income tax consequences herein will be accepted by the IRS or the courts.

The General Tax Counsel of GTE Corporation has advised that in his opinion, the Arrangement should qualify as a tax-free exchange for U.S. federal income tax purposes and have the federal income tax consequences described below, such opinion is based in part on the advance tax ruling obtained from the IRS:

- (a) U.S. Shareholders who immediately after the Arrangement will not own directly or under certain attribution rules 5% or more by vote or value of BC TELECOM will not recognize any gain or loss for federal income tax purposes upon their receipt of BC TELECOM Common Shares in exchange for their BC TEL Ordinary Shares;
- (b) The bases of the BC TELECOM Common Shares in the hands of those U.S. Shareholders described in (a) above will be equal to those U.S. Shareholders' bases for the BC TEL Ordinary Shares exchanged therefor; and
- (c) The holding periods for the BC TELECOM Common Shares in the hands of those U.S. Shareholders described in (a) above will include those U.S. Shareholders' holding periods for their BC TEL Ordinary Shares, provided such shareholders' BC TEL Ordinary Shares were held as capital assets on the Effective Date.

In order to achieve the federal income tax consequences described above, any U.S. Shareholder who, immediately after the Arrangement, will own directly or under the attribution rules of Section 958 of the U.S. Code, 5% or more by vote or value of BC TELECOM must enter into a gain recognition agreement pursuant to Temporary Treasury Regulation §1.367(a)-3T(g) and Notice 87-85, 1987-2 C.B.395. Such a U.S. Shareholder should consult their own tax adviser with respect to the consequences of the Arrangement as well as the consequences of the gain recognition agreement.

If the Arrangement were to fail to qualify as a tax-free transaction, the U.S. Shareholders would recognize a gain or loss on the exchange of BC TEL Ordinary Shares for BC TELECOM Common Shares measured by the difference between such U.S. Shareholders' bases in the BC TEL Ordinary Shares and the fair market value of the BC TELECOM Common Shares received in exchange therefor. Provided that the BC TEL Ordinary Shares were capital assets in the hands of such U.S. Shareholders, such gain or loss would constitute a capital gain or loss, long-term or short-term, as the case may be.

A Dissenting Shareholder will recognize a gain or loss on the exchange, measured by the difference between its basis in the BC TEL Ordinary Shares and the amount of cash received. Provided that the BC TEL Ordinary Shares are capital assets in the hands of such Dissenting Shareholders, the gain or loss will constitute a capital gain or loss, long-term or short-term, as the case may be.

## **ELIGIBILITY FOR INVESTMENT IN CANADA**

In the opinion of Farris, Vaughan, Wills & Murphy, legal counsel to BC TEL and BC TELECOM, had the Arrangement become effective on the date hereof, the BC TELECOM Common Shares to be received under the Arrangement would have been eligible investments, without resort to the so-called "basket provisions", or their purchase would not be



prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under or by the following statutes:

Insurance Companies Act (Canada)  
Financial Institutions Act (British Columbia)  
Insurance Act (Ontario)  
An Act respecting insurance (Quebec)  
Trust and Loan Companies Act (Canada)

Loan and Trust Corporations Act (Ontario)  
An Act respecting trust companies and savings companies (Quebec)  
Pension Benefits Standards Act, 1985 (Canada)  
Pension Benefits Act (Ontario)  
Supplemental Pension Plans Act (Quebec)

In the opinion of counsel, at the date hereof, the BC TELECOM Common Shares to be received under the Arrangement would have been qualified investments under the Canadian Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans and may be held in such a plan subject to the terms of the particular plan.

## **SHARE CERTIFICATES**

When the Reorganization becomes effective, the existing certificates for BC TEL Ordinary Shares will be deemed for all purposes to represent the corresponding BC TELECOM Common Shares. It will not be necessary for Shareholders to exchange their share certificates and Shareholders are urged not to do so. The existing BC TEL Ordinary Share certificates will automatically be recognized as representing BC TELECOM Common Shares should they subsequently be presented for transfer. **Shareholders should not in any event destroy their existing BC TEL Ordinary Share certificates, since they will represent BC TELECOM Common Shares.** If lost or destroyed, they cannot be replaced without following time-consuming and expensive procedures. However, Shareholders so desiring will be afforded the opportunity to exchange their existing certificates representing their BC TEL Ordinary Shares for certificates representing their BC TELECOM Common Shares.

No exchange will be required by any holder of BC TEL Preferred Shares with respect to the share certificate for BC TEL Preferred Shares held by them, notwithstanding the change of name of BC TEL.

## **STOCK EXCHANGE LISTINGS**

The BC TELECOM Common Shares will be listed for trading on the Vancouver, Toronto and Montreal stock exchanges. These stock exchanges have conditionally approved the listing of the BC TELECOM Common Shares subject to compliance with the listing requirements of such exchanges.

The BC TEL Ordinary Shares and various series of the BC TEL Preferred Shares are currently listed on the Vancouver, Toronto and Montreal stock exchanges. Upon the completion of the Arrangement, application will be made to these stock exchanges to delist the BC TEL Ordinary Shares, which will then be held entirely by BC TELECOM.

The series of BC TEL Preferred Shares that are presently listed for trading on one or more of the Vancouver, Toronto and Montreal stock exchanges will continue to be so listed and traded.

## **REGISTRATION AND QUALIFICATION FOR TRADING OF BC TELECOM COMMON SHARES**

BC TEL and BC TELECOM have obtained or made application for orders and rulings from the various securities commissions and securities regulatory authorities in the relevant provinces of Canada, where required, to the effect that the BC TELECOM Common Shares issuable on the Arrangement may be resold without restriction in Canada by the persons receiving such shares (other than persons or companies holding a sufficient number of BC TELECOM Common Shares to affect materially the control of BC TELECOM.)

## BC TEL PREFERRED SHARES, FIRST MORTGAGE BONDS AND DEBENTURES

The terms of the outstanding BC TEL Preferred Shares, First Mortgage Bonds and Debentures will not be affected by the Reorganization, and after the Reorganization they will remain issued and outstanding securities of BC TEL.

## DEBT AND PREFERRED SHARE RATINGS

CBRS Limited ("CBRS") and Dominion Bond Rating Service Limited ("DBRS"), the credit rating agencies which rate BC TEL's commercial paper, medium term notes, First Mortgage Bonds, Debentures and Preferred Shares have provided written confirmation to BC TEL of the following ratings for BC TEL securities:

	<u>CBRS</u>	<u>DBRS</u>
First Mortgage Bonds	A + (High)	AA
Debentures	A +	AA (low)
Medium Term Notes	A +	AA (low)
Commercial Paper	A-1 +	R-1 (middle)
Preferred Shares	P-1	Pfd-1

These credit rating agencies have also confirmed in writing to BC TEL that the above ratings will not be affected by reason of the Reorganization having been carried out.

## DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

On or before the Effective Date, BC TELECOM will adopt the BC TELECOM Dividend Reinvestment Plan, which will be similar to the BC TEL Dividend Reinvestment Plan. Holders of BC TELECOM Common Shares will be entitled to acquire BC TELECOM Common Shares under the BC TELECOM Dividend Reinvestment Plan on the same basis as holders of BC TEL Ordinary Shares are presently able to acquire BC TEL Ordinary Shares under the BC TEL Dividend Reinvestment Plan.

The BC TEL Dividend Reinvestment Plan permits registered holders of BC TEL Ordinary Shares and BC TEL Preferred Shares to acquire BC TEL Ordinary Shares by reinvesting dividends on their BC TEL shares and by making optional cash payments to a maximum of \$20,000 in any one year. BC TELECOM intends that the BC TELECOM Dividend Reinvestment Plan will permit the holders of BC TELECOM Common Shares and BC TEL Preferred Shares to acquire BC TELECOM Common Shares on the same basis as such holders may presently acquire BC TEL Ordinary Shares under the BC TEL Dividend Reinvestment Plan. Existing securities legislation of the provinces of Canada does not permit reinvestment of dividends on BC TEL Preferred Shares by holders of BC TEL Preferred Shares to acquire BC TELECOM Common Shares. Accordingly BC TEL and BC TELECOM are making applications for orders and rulings from the various securities regulatory authorities in the provinces of Canada to permit such reinvestment.

A participant in the BC TEL Dividend Reinvestment Plan will automatically become a participant in the BC TELECOM Dividend Reinvestment Plan on the Effective Date in respect of reinvestment of dividends received thereafter on BC TELECOM Common Shares and, to the extent permitted by securities regulatory authorities, in respect of reinvestment of dividends received thereafter on BC TEL Preferred Shares unless a notice of withdrawal has been delivered to BC TEL or the trustee of the BC TEL Dividend Reinvestment Plan by April 15, 1993 or the participant has dissented in connection with the Arrangement Resolution.

## LONG-TERM INCENTIVE SHARE OPTION PLAN

On or before the Effective Date, BC TELECOM will adopt the BC TELECOM LISOP which will be substantially similar to the existing BC TEL LISOP. Under the BC TELECOM LISOP, the human resource and compensation committee of the Board of Directors may grant options to purchase BC TELECOM Common Shares to eligible key employees of BC TELECOM and its subsidiaries to a maximum of 0.75% of the then outstanding BC TELECOM Common Shares. The size, terms and conditions of the options to be granted to each employee are at the discretion of the human resource and compensation committee.



The option price per BC TEL Common Share, which must be paid in full on exercise of the option, is fixed when an option is granted, but is not less than the closing sale price of a board lot of the BC TELECOM Common Shares on The Toronto Stock Exchange on the last business day prior to the day the option is granted. No option may extend more than ten years from the date it is granted. The BC TELECOM LISOP will provide for earlier or later expiry of options and adjustment of the option price in certain circumstances.

An aggregate of 1,075,525 BC TEL Ordinary Shares are subject to the exercise of options granted under the BC TEL LISOP. All outstanding options to purchase BC TEL Ordinary Shares will be cancelled by BC TEL and reissued by BC TELECOM under the BC TELECOM LISOP upon the consummation of the Reorganization. No change in the option exercise prices will occur on such reissue.

## **DISSENTING SHAREHOLDERS**

Under the Plan of Arrangement and pursuant to the Interim Order, a Shareholder is entitled to dissent and be paid the fair value of his or her BC TEL Ordinary Shares if the Shareholder objects to the Arrangement Resolution and the Arrangement becomes effective. A Shareholder may dissent only with respect to all of the BC TEL Ordinary Shares held by the Shareholder on behalf of any one beneficial owner and registered in the Shareholder's name. However, a Shareholder is not entitled to dissent on the Arrangement with respect to any BC TEL Ordinary Shares beneficially owned by one owner if the Shareholder votes any BC TEL Common Shares beneficially owned by him or her in favour of the Arrangement Resolution.

In order to dissent, a Shareholder must send to BC TEL, Attention: the Corporate Secretary, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 on or before the holding of the Meeting written objection (an "Objection Notice") to the Arrangement Resolution. A vote against the Arrangement Resolution or an abstention does not constitute such an Objection Notice, but a Shareholder need not vote his or her BC TEL Ordinary Shares against the Arrangement Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxyholder to vote in favour of the Arrangement Resolution does not constitute an Objection Notice, but any such proxy granted by a Shareholder who intends to dissent should be validly revoked (See "Revocation of Proxy") in order to prevent the proxyholder from voting such BC TEL Ordinary Shares in favour of the Arrangement Resolution and thereby disentitling the Shareholder from his or her right to dissent. Within 10 days following the approval of the Arrangement Resolution by the Shareholders, BC TEL will send to each Shareholder who filed an Objection Notice, at the address specified for such purpose in such Shareholder's Objection Notice, a notice stating that the Arrangement Resolution has been approved (the "Corporate Notice"). A Corporate Notice is not required to be sent to any Shareholder who voted for the Arrangement Resolution or who has withdrawn his or her Objection Notice.

Within 20 days after receipt of the Corporate Notice or, if no Corporate Notice is received by the Dissenting Shareholder, within 20 days after the Shareholder learns that the Arrangement Resolution has been adopted, the Dissenting Shareholder is required to send a written notice to BC TEL, at the address set forth in the preceding paragraph, containing the Shareholder's name and address, the number of BC TEL Ordinary Shares held by him or her in respect of which he or she dissents and a demand for payment of the fair value of such shares (the "Demand for Payment"). Within 30 days thereafter, the Dissenting Shareholder must send the share certificates representing such shares to BC TEL. Such shares certificates will be endorsed by BC TEL with a notice that the holder is a Dissenting Shareholder and will be returned to the Dissenting Shareholder. A dissenting Shareholder who fails to forward his or her share certificates within the time required loses any right to make a claim for payment of the fair value of his or her BC TEL Ordinary Shares.

On sending the Demand for Payment to BC TEL, a Dissenting Shareholder ceases to have any rights as a Shareholder except the right to be paid the fair value of his or her BC TEL Ordinary Shares unless the Dissenting Shareholder withdraws the Demand for Payment before BC TEL sends an Offer to Purchase as described below or the Arrangement does not proceed, in which case such Shareholder's rights are reinstated as of the date he or she sent the Demand for Payment. If the Dissenting Shareholder fails to comply with each of the steps required to dissent effectively, the Dissenting Shareholder's BC TEL Ordinary Shares will be exchanged for BC TELECOM Common Shares in the manner and to the same manner and to the same extent as if the Dissenting Shareholder had not attempted to dissent.

Not later than seven days after the later of the Effective Date and the date BC TEL receives the Demand for Payment, BC TEL will send to each of the Dissenting Shareholders a written offer (the "Offer to Purchase") to pay for the BC TEL Ordinary Shares which are the subject of the Objection Notice in an amount considered by the Board of Directors to be the fair value of such BC TEL Ordinary Shares as of the close of business on the day before the Final Order was issued



accompanied by a statement showing how the fair value was determined. Every Offer to Purchase in respect of the previously existing BC TEL Ordinary Shares shall be on the same terms.

Dissenting Shareholders who accept the Offer to Purchase will be paid by BC TEL within 10 days of acceptance by the Dissenting Shareholders of such offer, provided share certificates representing the BC TEL Ordinary Shares held by such Dissenting Shareholder have been delivered to BC TEL. The Offer to Purchase lapses if BC TEL does not receive an acceptance of the Offer to Purchase within 30 days after the date on which the Offer to Purchase was made.

If BC TEL fails to make the Offer to Purchase or a Dissenting Shareholder fails to accept the Offer to Purchase within the time limit prescribed therefor, BC TEL may apply under the CBCA to a court to fix a fair value for the BC TEL Ordinary Shares within 50 days after the Effective Date or within such further period as the court may allow. BC TEL intends to make the Offer to Purchase and if such Offer to Purchase is not accepted by the Dissenting Shareholder, BC TEL intends to apply to the court to fix the fair value for the BC TEL Ordinary Shares.

Upon any application to the Court by BC TEL, BC TEL shall notify each affected Dissenting Shareholder of the date, place and consequences of the application and of such Dissenting Shareholder's right to appear and be heard in person or by his or her counsel. If BC TEL fails to make such application, the Dissenting Shareholder has the right to so apply within a further period of 20 days or within such further period as the Court may allow. The application referred to above shall be made to a court having jurisdiction in the place in Canada in which BC TEL has its registered office or in the province where the Dissenting Shareholder resides if BC TEL carries on business in that province. All Dissenting Shareholders whose shares have not been purchased by BC TEL will be joined as parties to the application and will be bound by the decision of the Court. The Court may determine whether any person is a Dissenting Shareholder who should be joined as a party and the court will fix a fair value for the BC TEL Ordinary Shares of all Dissenting Shareholders.

Provided that the Arrangement becomes effective, a Shareholder who complies with each of the steps required to dissent effectively is entitled to be paid by BC TEL the fair value of the BC TEL Ordinary Shares in respect of which he or she dissents, determined as of the close of business on the day before the Final Order is issued. Such fair value as determined by the Court may be more than, less than or equal to the consideration to be received under the Offer to Purchase.

The foregoing is a summary only on the provisions of section 190 of the CBCA and is qualified in its entirety by the full text of section 190 of the CBCA attached to this Circular as Schedule D. Any Shareholder desiring to exercise a right to dissent should seek legal advice since failure to comply strictly with the provisions of that section may prejudice that right. The right of a Shareholder to dissent is not exclusive of any other rights available to shareholders generally, such as rights in respect of corporate directors' duties of good faith and care under the CBCA or otherwise.

## **INTEREST AND INTENTIONS OF PRINCIPAL SHAREHOLDER AND MANAGEMENT IN RESPECT OF THE ARRANGEMENT**

Anglo-Canadian, the only holder of which management is aware that beneficially holds more than 10% of the issued and outstanding BC TEL Ordinary Shares, has indicated that it will vote in favour of the Arrangement Resolution. Anglo-Canadian is beneficially owned and controlled as to 100% by GTE of Stamford, Connecticut, U.S.A. The directors and officers of BC TEL have also indicated that they intend to vote the BC TEL Ordinary Shares owned by them in favour of the Arrangement Resolution. The officers of BC TEL as at February 23, 1993 owned 47,486 BC TEL Ordinary Shares.

## **DESCRIPTION OF BC TELECOM**

### **GENERAL**

After the Arrangement and Post-Arrangement Transactions, BC TELECOM will be the parent corporation of the BC TEL group of companies. BC TELECOM is a corporation incorporated under the CBCA on November 14, 1984. Articles of Amendment were filed for BC TELECOM on February 18, 1993. The disclosure of historical earnings or prior capitalization for BC TELECOM is not meaningful. BC TELECOM's head and registered office is at 3777 Kingsway, Burnaby, British Columbia.

The BC TELECOM Common Shares will provide their holders with the same interests in the same consolidated group of corporations as the Shareholders presently have through their holding of BC TEL Ordinary Shares. Accordingly, the



consolidated financial statements of BC TELECOM will be essentially identical to the consolidated financial statements of BC TEL as they would appear if the Reorganization were not carried out with the exception that certain securities of BC TEL will be reclassified as set forth under "BC TELECOM Pro Forma Consolidated Capitalization".

## BUSINESS OF BC TELECOM

BC TELECOM will act as a management corporation. BC TELECOM will provide strategic direction to BC TEL, BC TEL Services and their respective subsidiaries with respect to financing matters. BC TELECOM may also issue equity and debt securities to the public to provide capital to BC TEL, BC TEL Services and related companies and to finance new investments.

As of the date of this Circular, there are no plans or prospects for any significant change in the business, operations or assets of the BC TELECOM group of companies.

## BC TELECOM PRO FORMA CONSOLIDATED CAPITALIZATION

The table below sets forth the capitalization of BC TEL at December 31, 1992, and of BC TELECOM assuming the proposed Arrangement and Post-Arrangement Transactions had been carried out on that date, and assuming the issue of second preferred shares of BC TELECOM. (See "Description of BC TELECOM Share Capital").

	<u>Actual</u> BC TEL	<u>Pro Forma</u> BC TELECOM
	(unaudited)	
	(millions of dollars)	
First Mortgage Bonds . . . . .	\$523.1	---
Debentures . . . . .	\$600.0	---
Medium Term Notes . . . . .	\$20.0	---
Other Direct Long Term Debt . . . . .	\$16.9	---
Long Term Debt of Subsidiaries . . . . .	\$91.9	\$1,251.9
Short Term Debt (Investments) . . . . .	\$221.6	---
Short Term Debt of Subsidiaries . . . . .	\$52.6	\$274.2
Preferred Equity . . . . .	\$146.4	---
Preferred Equity of Subsidiaries . . . . .	---	\$146.4
Common Equity . . . . .	<u>\$1,586.7</u>	<u>\$1,586.7</u>
Total Capitalization . . . . .	<u>\$3,259.2</u>	<u>\$3,259.2</u>

## DESCRIPTION OF BC TELECOM SHARE CAPITAL

BC TELECOM will be authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The BC TELECOM Common Shares will have the same terms and conditions upon completion of the Reorganization as the terms and conditions of the BC TEL Ordinary Shares. Holders of BC TELECOM Common Shares will be entitled to one vote for each share held at all meetings of the shareholders, other than meetings at which only holders of a specified class or series are entitled to vote. Further, such holders are entitled to receive any dividend declared by BC TELECOM on such shares and, subject to the rights, privileges, restrictions and conditions attaching to any BC TELECOM first or second preferred shares which may be issued, to receive the remaining property of BC TELECOM upon dissolution. Holders of BC TELECOM Common Shares will not be entitled to any pre-emptive rights with respect to any subsequent issue by BC TELECOM of BC TELECOM Common Shares.

The first preferred shares of BC TELECOM are issuable in series. The first preferred shares of each series rank on a parity with the preferred shares of every other series and are entitled to preference over the second preferred shares and the BC TELECOM Common Shares and any other shares ranking junior to the first preferred shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of BC TELECOM. The directors of BC TELECOM are empowered to fix the number of shares and the rights to be attached to the first preferred shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the foregoing and to applicable law, the first preferred shares as a class are not entitled to receive notice of, attend or vote at meetings of the shareholders of BC TELECOM.

The second preferred shares of BC TELECOM are issuable in series. The second preferred shares of each series rank on a parity with the second preferred shares of every other series, rank junior to the first preferred shares and are entitled to preference over the common shares and any other shares ranking junior to the second preferred shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of BC TELECOM. The directors of BC TELECOM are empowered to fix the number of shares and the rights to be attached to the second preferred shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the foregoing and to applicable law, the second preferred shares as a class are not entitled to receive notice of, attend or vote at meetings of the shareholders of BC TELECOM.

Immediately prior to the Arrangement, BC TELECOM will create and issue to BC TEL Mobility Cellular Inc. for an aggregate purchase price of approximately \$160 million, 1,000 redeemable retractable voting second preferred shares, redeemable by BC TELECOM at any time and required to be redeemed five years after the date of issue thereof, and retractable by the holder at any time (in both cases at the amount paid up thereon plus dividends accrued), having one vote per share and non-transferable. The dividend rate on the preferred shares will be fixed at the time of issue thereof. As these shares, after the Reorganization, will be held by an indirect subsidiary, there will be no impact on the consolidated capitalization of BC TELECOM.

## **DIVIDEND POLICY OF BC TELECOM**

BC TELECOM will be the holding company of the BC TEL group of companies, owning all of the BC TEL Ordinary Shares and all of the shares of BC TEL Services, thereby controlling indirectly all of the Subsidiaries. Therefore BC TELECOM's income will consist of dividends from its subsidiary corporations and investment income. It is contemplated that the per share quarterly dividend to be declared on the BC TELECOM Common Shares will initially be the same as the dividends which would have been declared by the Board of Directors had the Reorganization not been carried out. Further, it is expected that quarterly dividends will be declared and paid by BC TELECOM on the same schedule of dates as is currently followed with respect to regular dividends on the BC TEL Ordinary Shares.

## **FINANCING POLICIES OF BC TELECOM AND BC TEL**

It is the intention that BC TELECOM will from time to time issue equity, by way of common or preferred shares, to the public and debt to the public or by way of private arrangements with financial institutions to finance the ongoing financial requirements of BC TEL and the Subsidiaries. BC TEL may issue securities such as Debentures, medium term notes and preferred shares to the public to finance its ongoing need for capital or may issue equity shares to BC TELECOM. It is not anticipated that BC TEL will issue ordinary shares to the public or any one, other than BC TELECOM, after the Reorganization.

## **MANAGEMENT OF BC TELECOM**

### ***BOARD OF DIRECTORS' COMMITTEES***

The board of directors of BC TELECOM (the "BC TELECOM Board of Directors") will have not less than 8 and not more than 18 members. On the Effective Date, the members of the BC TELECOM Board of Directors will be the same as the Board of Directors of BC TEL as elected at the Meeting. (See "Annual Meeting Business - Election of Directors".)

It is expected that after the Effective Date, the board of directors of BC TELECOM will have a number of committees, including an audit committee, a human resources and compensation committee and a pension trust committee.

The audit committee will review and evaluate the scope of the audit, the accounting policies and reporting practices, internal auditing, internal controls, certain security procedures and other matters deemed appropriate and in so doing will confer with BC TELECOM's auditors. The human resources and the compensation committee will review the management plans of BC TEL and its affiliates and established from time to time the terms of employment and compensation of management of BC TELECOM and its subsidiaries. The pension trust committee will oversee the investment of assets of the management and exempt pension plans of BC TEL and its affiliates.



## OFFICERS

The persons who are expected to be officers of BC TELECOM, their expected positions with BC TELECOM, and their present principal occupations, are as follows:

<u>Name</u>	<u>Position with BC TELECOM</u>	<u>Principal Occupation</u>
Gordon F. MacFarlane	Chairman of the Board	Chairman of BC TEL
Brian A. Canfield	President and Chief Executive Officer	President and Chief Executive Officer of BC TEL
Dorothy E. Byrne	Vice-President - Legal & Corporate Affairs & Corporate Secretary	Vice-President - Legal & Corporate Affairs & Corporate Secretary of BC TEL
Leo J. Dooling	Vice-President and Chief Financial Officer	Vice-President - Finance and Administration and Treasurer of BC TEL
E. Lynn Patterson	Vice-President - Telephone Operations	Executive Vice-President and Chief Operating Officer of BC TEL
Fares F. Salloum	Vice-President - Emerging Business	Vice-President-Emerging Business of BC TEL*
Ralph A. Davis	Assistant Corporate Secretary	Assistant Corporate Secretary of BC TEL
Arthur R. Tymos	Assistant Treasurer	Assistant Treasurer of BC TEL

\* Prior to the Effective Date will be President of BC TEL Services

All of the officers listed above have been engaged for more than five years in their present principal occupations, or in other capacities with BC TEL or its subsidiaries.

All of the proposed officers of BC TELECOM referred to herein are presently employees or officers of BC TEL and following the Reorganization will continue as employees of BC TEL or BC TEL Services. The proposed officers of BC TELECOM will be remunerated by BC TEL or BC TEL Services, as the case may be. Prior to the consummation of the Reorganization, BC TEL, BC TEL Services and BC TELECOM will enter into an agreement whereby BC TELECOM will agree to reimburse BC TEL and BC TEL Services, as the case may be, from time to time for services performed for BC TELECOM by officers of BC TELECOM, who are also officers of BC TEL or BC TEL Services.

## COMPENSATION OF DIRECTORS

BC TEL currently pays its directors a directors' fee of \$3,000 quarterly. Commencing on and after the Effective Date, BC TEL and BC TELECOM will pay the same directors' fees as that currently paid by BC TEL, provided that if the same directors are on both boards of directors, BC TELECOM will pay quarterly directors' fees of \$1,500 per director and BC TEL will pay quarterly directors' fees of \$1,500 per director.

Commencing on and after the Effective Date, a director, other than an employee, of BC TEL and BC TELECOM will be paid a meeting fee (in the aggregate for both corporations) of \$800 for each day or part thereof, including travelling time, that the director is in attendance at meetings of a board or a committee thereof or while otherwise engaged in the business or affairs of the BC TELECOM companies. A director, other than an employee, who serves as chairman of the board or of any committee of BC TELECOM or BC TEL will be paid (in the aggregate for both corporations) \$1,200 for each day. These fees will be paid as an aggregate for both corporations, regardless of the number of board or committee meetings held in a day and regardless of whether these meetings are of different boards. The directors of the two companies will also be reimbursed for out-of-pocket expenses.

## BY-LAWS

The by-laws for BC TELECOM which have been adopted by the directors and sanctioned by the Shareholders are of a form substantially the same as those used by other Canadian corporations governed by the CBCA, which provides general provisions for the governance of BC TELECOM consistent with the provisions of the CBCA. Copies of the by-laws will be available for inspection at the Meeting and may be obtained from BC TEL upon request to the Corporate Secretary, 19th Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors for BC TELECOM until the next annual general meeting of the holders of BC TELECOM Common Shares will be Arthur Andersen & Co. Transfer Agent and Registrar of BC TEL Ordinary Shares is Montreal Trust Company with corporate trust offices at Halifax, Montreal, Toronto, Winnipeg, Regina, Edmonton and Vancouver. After the Effective Date, to reflect the current practice of the Registrar and Transfer Agent, the Transfer Agent and Registrar of BC TELECOM Common Shares will be Montreal Trust Company of Canada with corporate trust offices at Vancouver, Toronto and Montreal.

## **SHAREHOLDER PROPOSALS FOR NEXT MEETING**

The CBCA, which governs BC TELECOM, provides that shareholder proposals must be received by January 27, 1994 to be considered for inclusion in the management information circular and the form of proxy for the 1994 annual meeting of shareholders of BC TELECOM which is expected to be held on or about April 21, 1994.

## **ANNUAL INFORMATION FORM**

BC TEL is prepared to provide to any person or company, upon request to the Corporate Secretary of BC TEL, a copy of BC TEL's 1992 Annual Information Form filed with the provincial securities commissions in Canada together with a copy of any document incorporated into the Annual Information Form by reference, including BC TEL's comparative financial statements for the year ended on December 31, 1992 and BC TEL's Proxy Information Circular in respect of the Annual Meeting to be held on April 15, 1993.

## **APPROVAL BY THE BOARD OF DIRECTORS**

The contents and mailing to Shareholders of this Circular have been approved by the Board of Directors.

No person is authorized to give any information or to make any representations in respect of the matters addressed herein other than those contained in this Circular and, if given or made, such information must not be relied upon as having been authorized.

Dated this 23rd day of February, 1993.

BY ORDER OF THE BOARD

Dorothy E. Byrne  
Corporate Secretary



## SCHEDULE A

### ARRANGEMENT RESOLUTION

Arrangement under Section 192 of the  
Canada Business Corporations Act

#### BE IT RESOLVED THAT:

1. the Plan of Arrangement under Section 192 of the *Canada Business Corporations Act* set forth in the Plan of Arrangement attached as Exhibit 1 to Schedule B to the Proxy Information Circular accompanying the notice of this meeting be and it is hereby approved and authorized;
2. the Arrangement Agreement dated as of February 23, 1993 between BC TELECOM Inc. and British Columbia Telephone Company ("BC TEL") attached as Schedule B to the Proxy Information Circular accompanying the notice of this meeting be and it is hereby confirmed, ratified and approved;
3. notwithstanding that this resolution has been duly passed by the shareholders of BC TEL or received the approval of the Supreme Court of British Columbia, the board of directors of BC TEL may terminate the Arrangement Agreement and Plan of Arrangement and revoke this resolution at any time prior to the issue of a certificate of amendment giving effect to the Arrangement, without further approval of the shareholders; and
4. any director or officer of BC TEL be and is hereby authorized, for and on behalf of BC TEL, to execute and deliver Articles of Arrangement and all other documents and instruments and take such other actions as such director or officer may determine to be necessary or desirable to implement this special resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

**SCHEDULE B**  
**ARRANGEMENT AGREEMENT**

**MEMORANDUM OF AGREEMENT** made as of the 23rd day of February, 1993.

**BETWEEN:**

**BRITISH COLUMBIA TELEPHONE COMPANY**, a corporation subject to the Canada Business Corporations Act (hereinafter referred to as "BC TEL")

**OF THE FIRST PART**

- and -

**BC TELECOM INC.**, a corporation subject to the Canada Business Corporations Act (hereinafter referred to as "BC TELECOM")

**OF THE SECOND PART**

**WHEREAS** BC TEL intends to propose to its shareholders the Arrangement;

**AND WHEREAS** BC TELECOM is an indirect wholly-owned subsidiary of BC TEL;

**AND WHEREAS** the parties hereto wish to record their agreements with regard to the Arrangement and Plan of Arrangement;

**AND WHEREAS** in connection with the transactions contemplated hereby, immediately prior to the Arrangement certain shares will be issued by BC TELECOM as set forth in section 2.2(d) hereof;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, in consideration of the premises and the respective covenants and agreements herein contained, the parties hereto covenant and agree as follows:

**ARTICLE 1**  
**INTERPRETATION**

**1.1 Definitions**

In this Agreement including the recitals hereto, unless there is something in the subject matter or context inconsistent therewith, words and terms defined in the BC TEL Circular shall have the same meaning when used herein and, in addition, the following terms shall have the following meanings:

**"Advance Tax Rulings"** means the ruling obtained under the Income Tax Act (Canada) by BC TEL from Revenue Canada dated November 3, 1992 and the ruling obtained by BC TEL from the United States Internal Revenue Service dated February 10, 1993, as such rulings may be amended from time to time at the request of BC TEL;

**"Arrangement"** means the arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement or any amendment or variation thereto made in accordance with section 5.1 of this Agreement;

**"Business Day"** means any day, other than a Saturday or a Sunday, when Canadian chartered banks are open for business in the City of Vancouver;



**"BC TEL Meeting"** means the annual and special general meeting of holders of BC TEL Ordinary Shares to be held to consider, among other matters, the Arrangement, and any adjournment thereof;

**"BC TEL Circular"** means the definitive form, together with any amendments thereto, of the management proxy information circular of BC TEL to be prepared and sent to the holders of BC TEL Ordinary Shares in connection with the BC TEL Meeting;

**"BC TEL Ordinary Shares"** mean the ordinary shares in the capital of BC TEL;

**"BC TEL Services"** means BC TEL Services Inc.;

**"BC TEL Services Shares"** mean the common shares in the capital of BC TEL Services;

**"CBCA"** means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

**"Control"** means, with respect to control of a corporation by a person, the holding (other than by way of security only) by or for the benefit of that person of securities of the corporation to which are attached more than 50% of the votes that may be cast, directly or indirectly, to elect directors of the corporation, provided that the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the corporation;

**"Court"** means the Supreme Court of British Columbia;

**"Effective Date"** means the date shown on the certificate of amendment to be issued by the Director under the CBCA giving effect to the Arrangement, which is expected to be May 1, 1993;

**"Final Order"** means the final order of the Court approving the Arrangement;

**"Interim Order"** means the order of the Court made pursuant to the petition therefor contemplated by section 3.3 hereof;

**"Plan of Arrangement"** means the plan of arrangement which is annexed as Exhibit 1 hereto and any amendment or variation thereto made in accordance with section 5.1 hereof;

**"Post-Arrangement Transactions"** means the transactions that will occur following the Arrangement taking effect, consisting of: on the Effective Date (i) increasing the stated capital of BC TEL Services to an amount equal to the difference between the adjusted cost base of the BC TEL Services Shares and the fair market value of the shares; and (ii) the board of directors of BC TEL declaring a dividend on the BC TEL Ordinary Shares, which dividend will be satisfied by the transfer to BC TELECOM of all of the BC TEL Services Shares; and on a date within four days after the Effective Date, (iii) decreasing the stated capital on the BC TEL Services Shares by an amount equal to the increase in (i) above; (iv) paying to 160324 Canada Limited as a contribution to capital, an amount equal to the increase in (i) above; and (v) 160324 Canada Limited liquidating into BC TEL Services;

**"subsidiary"** means, when used to indicate a relationship with another corporation, (i) a corporation which is controlled by (A) that other, or (B) that other and one or more companies, each of which is controlled by that other, or (C) two or more companies, each of which is controlled by that other or (ii) a subsidiary of a corporation that is that other's subsidiary;

## **1.2 Interpretation Not Affected by Headings**

The division of this Agreement into articles, sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", and "hereunder" and similar expressions refer to this Agreement (including the exhibit hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

### **1.3 Number, Et Cetera**

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa, words importing the use of any gender shall include both genders; and words importing persons shall include firms, corporations, trusts and partnerships.

### **1.4 Date for Any Action**

In the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day at such place, unless otherwise agreed to.

### **1.5 Entire Agreement**

This Agreement, together with the exhibit, schedules, agreements and other documents herein or therein referred to, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, among the parties with respect to the subject matter hereof.

### **1.6 Currency**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES**

### **2.1 Representations and Warranties of BC TEL**

BC TEL represents and warrants to and in favour of BC TELECOM as follows:

- (a) BC TEL is a corporation duly organized and validly existing under the CBCA and has the corporate power and authority to own, operate and lease its property and assets and to carry on its business as now being conducted by it, and it is duly registered, licensed or qualified to carry on business in each jurisdiction in which a material amount of its business is conducted or where the character of its properties and assets makes such registration, licensing or qualification necessary;
- (b) BC TEL has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (c) the authorized capital of BC TEL consists of \$1,250,000,000 in the aggregate of stated capital which may be issued as ordinary shares, first preferred shares, issuable in series, and subordinate preferred shares, issuable in series, of which there are issued and outstanding at the date hereof 112,550,484 BC TEL Ordinary Shares, \$146.4 million aggregate amount of preference and preferred shares of various classes and series, and no subordinate preferred shares;
- (d) no individual, firm, corporation or other person holds any securities convertible or exchangeable into any shares of BC TEL or of any of its subsidiaries or has any agreement, warrant, option or any right capable of becoming an agreement, warrant or option for the purchase of any unissued shares of BC TEL or any of its subsidiaries, except for:
  - (i) holders of securities of BC TEL who have rights to purchase BC TEL Ordinary Shares pursuant to BC TEL's Dividend Reinvestment and Share Purchase Plan; and



- (ii) employees or former employees of BC TEL who have options to purchase an aggregate of 1,075,525 BC TEL Ordinary Shares pursuant to the BC TEL Long Term Incentive Share Option Plan;
- (e) the execution and delivery of this Agreement by BC TEL and the completion of the transactions contemplated herein;
  - (i) do not and will not result in a breach of, or violate any term or provision of, the articles or by-laws of BC TEL or any of the constating documents of its subsidiaries;
  - (ii) subject to receiving any consent as may be necessary under any agreement by which BC TEL or any of its subsidiaries is bound, do not and will not, as of the Effective Date, conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which BC TEL and its subsidiaries taken as a whole, or to which any material property of BC TEL or any of its subsidiaries is subject or result in the creation of any lien, charge or encumbrance upon any of the material assets of BC TEL or any of its subsidiaries under any such agreement or instrument, or give to any person any material interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority; and
  - (iii) subject to receipt of necessary approvals of the holders of BC TEL Ordinary Shares and the Court, do not and will not as of the Effective Date violate any provision of law or administrative regulation or any judicial or administrative award, judgment or decree applicable and known to BC TEL, after due inquiry, the breach of which would have a material adverse effect on BC TEL and its subsidiaries taken as a whole;
- (f) to the best of the knowledge of BC TEL after due inquiry, there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting BC TEL or any subsidiary of BC TEL, at law or in equity, before or by any governmental department, commission, board, bureau, court, agency, arbitrator or instrumentality, domestic or foreign, of any kind nor, to the best of the knowledge of BC TEL, after due inquiry, are there any existing facts or conditions which may reasonably be expected, individually or in the aggregate, to be a proper basis for any actions, suits, proceedings or investigations, which in any case would prevent or hinder the consummation of the transactions contemplated by this Agreement, the Plan of Arrangement or the Post-Arrangement Transactions, or which may reasonably be expected individually or in the aggregate to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of BC TEL and its subsidiaries, taken as a whole, either before or after the Effective Date;
- (g) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by the board of directors of BC TEL and this Agreement has been duly executed and delivered by BC TEL and constitutes a valid and binding obligation of BC TEL enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction;
- (h) the information set forth in the BC TEL Circular relating to BC TEL and its subsidiaries and the interests of BC TEL and such subsidiaries, their respective businesses and properties and the effect of the Arrangement and the Post-Arrangement Transactions thereon is true, correct and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in the light of the circumstances in which they are made.

## Representations and Warranties of BC TELECOM

BC TELECOM represents and warrants to and in favour of BC TEL as follows:

- (a) BC TELECOM is a corporation duly organized and validly existing under the CBCA;
- (b) BC TELECOM has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (c) the authorized capital of BC TELECOM consists of an unlimited number of common shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares issuable in series of which there are issued and outstanding as at the date hereof 1 common share and no preferred shares;
- (d) except as contemplated by this Agreement and except for the right of BC TEL Mobility Cellular Inc. to purchase for an aggregate purchase of approximately \$160 million, 1,000 second preferred shares to be created and issued prior to the Effective Date, no individual, firm, corporation or other person holds any securities convertible or exchangeable into any shares of BC TELECOM or has any agreement, warrant, option or any right capable of becoming an agreement, warrant or option for the purchase of any unissued shares of BC TELECOM;
- (e) the execution and delivery of this Agreement by BC TELECOM and the completion of the transactions contemplated herein:
  - (i) do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of BC TELECOM; and
  - (ii) do not and will not, as of the Effective Date, violate any provision of law or administrative regulation or any judicial or administrative award, judgment or decree applicable and known to BC TELECOM, after due inquiry, the breach of which would have a material adverse effect on BC TELECOM;
- (f) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by the board of directors of BC TELECOM and this Agreement has been executed and delivered by BC TELECOM and constitutes a valid and binding obligation of BC TELECOM enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction; and
- (g) BC TELECOM is not engaged in any business nor is it a party to or bound by any contract, agreement, arrangement, instrument, license, permit or authority, other than this Agreement and any transaction or agreement necessary or incidental to the fulfilment of its obligations under the foregoing agreement, nor does it have any liabilities, contingent or otherwise, except as provided in or permitted by the foregoing agreement.

## ARTICLE 3 COVENANTS

### Covenants of BC TEL

BC TEL hereby covenants and agrees as follows:

- (a) until the Effective Date, BC TEL and each of its subsidiaries shall carry on its business in the ordinary course and shall not enter into any transaction or incur any obligation or liability out of the ordinary course of its business, except as otherwise contemplated in this Agreement;



- (b) except as otherwise contemplated in this Agreement, until the Effective Date, BC TEL shall not, and shall not suffer or permit any of its subsidiaries to, merge into or with, or amalgamate, consolidate or enter into any other corporate reorganization with, any other corporation or person or perform any act or enter into any transaction or negotiation which reasonably could be expected to, directly or indirectly, interfere or be inconsistent with the completion of the Arrangement and, without limiting the generality of the foregoing, BC TEL shall not and shall not suffer or permit any subsidiary to:
- (i) make distributions by way of dividend, return of capital or otherwise to or for the benefit of its shareholders, except for the payment of regular dividends payable in the ordinary course to shareholders of such corporation;
  - (ii) except in the ordinary course of business or as contemplated by section 2.1 (d), issue any shares of, or any rights of any kind to acquire any shares of, any class of its share capital or other securities convertible or exchangeable into shares or options which are exercisable for the purchase of shares in its capital or enter into any commitment or agreement therefor;
  - (iii) acquire any asset other than in the ordinary course of business or from another subsidiary of BC TEL or acquire or agree to acquire by amalgamating, merging or consolidating with, purchasing substantially all of the assets of or otherwise, any business or any corporation, partnership, association or other business organization or division thereof;
  - (iv) sell, lease or otherwise dispose of or grant any option with respect to any of its assets, other than in the ordinary course of business; or
  - (v) except in the ordinary course of business, guarantee the payment of indebtedness or incur indebtedness for money borrowed or issue any debt securities; and
- (c) BC TEL shall perform the obligations required to be performed by it hereunder and shall do all such other acts and things as may be necessary or reasonably required in order to give effect to the Arrangement and the Post-Arrangement Transactions and, without limiting the generality of the foregoing, BC TEL shall use all reasonable efforts to apply for and obtain:
- (i) the Interim Order and the Final Order as provided in section 3.3 hereof;
  - (ii) such consents or agreements as may be necessary pursuant to any agreement of BC TEL or any of its subsidiaries; and
  - (iii) such other consents, orders, approvals and rulings as counsel to BC TEL may advise are necessary or reasonably desirable for the implementation of the Arrangement and the Post-Arrangement Transactions and completion of the other transactions contemplated herein, including those referred to in section 4.1 hereof.

## 3.2 Covenants of BC TELECOM

BC TELECOM hereby covenants and agrees as follows:

- (a) except as otherwise contemplated by this Agreement or as contemplated in section 2.2(d) hereof, until the Effective Date, BC TELECOM shall not issue any shares, purchase any shares, pay any dividend or make any distribution to its shareholders, engage in any business, enter into any contract, arrangement or agreement other than as contemplated by this Agreement or enter into any transaction or negotiation which reasonably could be expected to, directly or indirectly, interfere with or be inconsistent with the completion of the Arrangement and the Post-Arrangement Transactions;
- (b) BC TELECOM shall perform the obligations required to be performed by it hereunder and shall do all such other acts and things as may be necessary or reasonably required in order to give effect to the Arrangement and

the Post-Arrangement Transactions, and without limiting the generality of the foregoing, BC TELECOM shall use all reasonable efforts to apply for and obtain:

- (i) the Interim Order and the Final Order as provided in section 3.3 hereof; and
- (ii) assists BC TEL in obtaining any consents or agreements as contemplated in section 3.1(b)(ii) hereof; and
- (iii) such other consents, orders, approvals and rulings as counsel to BC TELECOM may advise are necessary or reasonably desirable for the implementation of the Arrangement and the Post-Arrangement Transactions and completion of the other transactions contemplated herein, including those referred to in section 4.1 hereof.

### **3.3 Interim Order and Final Order**

Each party covenants and agrees that it will, as soon as reasonably practicable, apply to the Court pursuant to Section 192 of the CBCA for the Interim Order providing for, among other things, the calling and holding of the BC TEL Meeting for the purpose of, among other matters, considering and, if deemed advisable, approving the Arrangement and that, if the approval of holders of BC TEL Ordinary Shares of the Arrangement as set forth in the Interim Order is obtained by BC TEL as soon as practicable thereafter each party will take the necessary steps to submit the Arrangement to the Court and apply for the Final Order in such fashion as the Court may direct. As soon as practicable thereafter, and subject to compliance with any other conditions provided for in Article 4 hereof, BC TEL and BC TELECOM shall send to the Director pursuant to subsection 192(6) of the CBCA articles of arrangement to give effect to the Arrangement.

### **3.4 Non-Survival of Representations, Warranties and Covenants**

The respective representations, warranties and covenants of BC TEL and BC TELECOM contained herein shall expire and be terminated and extinguished at and from the Effective Date, other than the covenants in sections 3.1(c) and 3.2(b) and no party shall have any liability or further obligation to any party hereunder in respect of the respective representations, warranties and covenants thereafter, other than the covenants in sections 3.1 (c) and 3.2(b).

## **ARTICLE 4 CONDITIONS**

### **4.1 Mutual Conditions Precedent**

The respective obligations of each party hereto to complete the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Effective Date, of the following conditions, none of which may be waived by any party hereto in whole or in part:

- (a) the Arrangement, with or without amendment, shall have been approved at the BC TEL Meeting in accordance with the Interim Order;
- (b) the Interim Order and the Final Order shall have been obtained in form and substance satisfactory to BC TEL acting reasonably;
- (c) the Advance Tax Rulings remaining in full force and effect and unamended, except at the request of BC TEL;
- (d) the Vancouver Stock Exchange, The Toronto Stock Exchange and the Montreal Exchange shall have confirmed, as of the Effective Date, the listing and posting for trading of the common shares of BC TELECOM issuable on the Arrangement, subject to compliance with the listing requirements thereof;
- (e) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of or damages on account of or relating to the Arrangement and no cease trading or similar order with respect to any securities of BC TEL or BC TELECOM shall have been issued and remain outstanding;



- (f) all material regulatory requirements shall have been complied with and all other material consents, agreements, orders and approvals, including regulatory and judicial approvals and orders, necessary for the completion of the transactions provided for in this Agreement or contemplated by the BC TEL Circular shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances including, without limitation, pursuant to the Securities Act (Ontario), the Securities Act (British Columbia) and the comparable securities legislation of the other provinces of Canada where shareholders of BC TEL reside;
- (g) none of the consents, orders, regulations or approvals contemplated herein shall contain terms of conditions or require undertakings or security deemed unsatisfactory or unacceptable by BC TEL or BC TELECOM acting reasonably;
- (h) the parties hereto shall be ready, willing and able to complete the Post-Arrangement Transactions contemplated herein following the Arrangement coming into effect at the time and in the order contemplated herein; and
- (i) this Agreement shall not have been terminated under Article 5.

## **4.2 Conditions to Obligations of Each Party**

The obligation of each of BC TEL and BC TELECOM to complete the transactions contemplated by this Agreement is further subject to the condition, which may be waived by any such party without prejudice to its right to rely on any other condition in favour of such party, that each and every one of the covenants of the other party hereto to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by such party and that, except as affected by the transactions contemplated by this Agreement, the representations and warranties of the other party hereto shall be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at and as of such time, and each such party shall have received a certificate, dated the Effective Date, of a senior officer of each other party confirming the same.

## **4.3 Merger of Conditions**

The conditions set out in sections 4.1 and 4.2 shall be conclusively deemed to have been satisfied, waived or released upon the delivery to the Director pursuant to subsection 192(6) of the CBCA of articles of arrangement to give effect to the Arrangement.

# **ARTICLE 5 AMENDMENT AND TERMINATION**

## **5.1 Amendment**

This Agreement may, at any time and from time to time before and after the holding of the BC TEL Meeting but not later than the Effective Date, be amended in a manner not materially prejudicial to the shareholders of BC TEL by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of the shareholders of BC TEL.

## **5.2 Termination**

This Agreement may, at any time before or after the holding of the BC TEL Meeting but no later than the Effective Date, be terminated by the board of directors of BC TEL without further notice to, or action on the part of, its shareholders.

Without limiting the generality of the foregoing, BC TEL may terminate this Agreement:

- (a) in the event that any right of dissent is exercised pursuant to section 4.1 or 4.2 of the Plan of Arrangement in respect of BC TEL Ordinary Shares and the board of directors of BC TEL determines in its sole judgment that as a result it would be inadvisable in such circumstances for BC TEL to proceed with the Arrangement; or

- (b) if prior to the Effective Date there is a material change in the business, operations, properties, assets, liabilities or condition, financial or otherwise, of BC TEL and its subsidiaries, taken as a whole, or in BC TELECOM, or any change in general economic conditions, interest rates or any outbreak or material escalation in, or the cessation of, hostilities or any other calamity or crisis, or there should develop, occur or come into effect any occurrence which has a material effect on the financial markets of Canada and the board of directors of BC TEL determines in its sole judgment that it would be inadvisable in such circumstances for BC TEL to proceed with the Arrangement.

### **5.3 Effect of Termination**

Upon the termination of this Agreement pursuant to section 5.2 hereof, no party shall have any liability or further obligation to any other party hereunder.

## **ARTICLE 6 GENERAL**

### **6.1 Notices**

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be deemed to be validly given if served personally or by facsimile, in each case to the attention of the senior officer at the following addresses or at such other addresses as shall be specified by the parties by like notice:

If to BC TEL:  
3777 Kingsway  
Burnaby, British Columbia  
V5H 3Z7

If to BC TELECOM INC.:  
3777 Kingsway  
Burnaby, British Columbia  
V5H 3Z7

Attention: Corporate Secretary  
Facsimile: (604) 432-9681

Attention: Corporate Secretary  
Facsimile: (604) 432-9681

The date of receipt of any such notice shall be deemed to be the date of delivery or facsimile transmission thereof.

### **6.2 Assignment**

No party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other party hereto.

### **6.3 Binding Effect**

This Agreement and the Arrangement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns and, in the case of the Arrangement, shall enure to the benefit of the holders from time to time of the BC TEL Ordinary Shares.

### **6.4 Waiver**

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the party granting the same. Waivers may only be granted upon compliance with the terms governing amendments set forth in section 5.1 hereof, applied mutatis mutandis.

### **6.5 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and shall be treated in all respects as an British Columbia contract.



**6.6****Counterparts**

This Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement as of the date first written.

**BRITISH COLUMBIA TELEPHONE COMPANY**

By: "Leo J. Dooling"

c/s

By: "Dorothy E. Byrne"

**BC TELECOM INC.**

By: "Leo J. Dooling"

c/s

By: "Dorothy E. Byrne"

**EXHIBIT 1  
TO THE ARRANGEMENT AGREEMENT**

**PLAN OF ARRANGEMENT UNDER SECTION 192  
OF THE CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1  
INTERPRETATION**

- 1.1 In this Arrangement, unless there is something in the subject matter or context inconsistent therewith:
- (a) "Act" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;
  - (b) "Arrangement" means an arrangement under the provisions of Section 192 of the Act, on the terms and conditions set forth in this Plan of Arrangement;
  - (c) "BC TEL" means British Columbia Telephone Company, a corporation incorporated under the Act;
  - (d) "BC TEL Ordinary Shares" means the ordinary shares in the capital of BC TEL;
  - (e) "BC TELECOM" means BC TELECOM Inc., a corporation incorporated under the Act;
  - (f) "BC TELECOM Common Shares" means the common shares in the capital of BC TELECOM;
  - (g) "BC TEL First Preferred Shares" means the preference shares and the preferred shares, of all series, in the capital of BC TEL;
  - (h) "Director" means the Director appointed under Section 260 of the Act; and
  - (i) "Effective Date" means the date shown on the certificate of amendment giving effect to the Arrangement which is issued under the Act by the Director.

**ARTICLE 2  
SUMMARY OF THE ARRANGEMENT**

2.1 All holders of BC TEL Ordinary Shares shall, by reason of the exchange of their BC TEL Ordinary Shares with BC TELECOM for BC TELECOM Common Shares, cease to be shareholders of BC TEL and except for dissenting holders of BC TEL Ordinary Shares whose ordinary shares are purchased by BC TEL pursuant to the provisions of Section 190 of the Act, shall become holders of BC TELECOM Common Shares.

2.2 Holders of BC TEL Ordinary Shares may dissent in relation to the resolution to approve the Arrangement pursuant to the provisions of Section 190 of the Act.

2.3 The name of British Columbia Telephone Company will be changed to "BC TEL".

2.4 The exchange of BC TEL Ordinary Shares for BC TELECOM Common Shares shall occur on the Effective Date.

**ARTICLE 3  
THE ARRANGEMENT**

3.1 On the Effective Date, the following shall occur and be deemed to occur without further act or formality and in the following order:

- (a) the following will occur contemporaneously:



- (i) all of the BC TEL Ordinary Shares, except those referred to in subsection 4.1(a), shall be and be deemed to be transferred to BC TELECOM in exchange for BC TELECOM Common Shares to be issued by BC TELECOM on the basis of one BC TELECOM Common Share for one BC TEL Ordinary Share;
  - (ii) the one BC TELECOM Common Share held by BC TEL Services shall be cancelled without any payment in respect thereof;
- (b) with respect to each holder of BC TEL Ordinary Shares to whom subsection 3.1(a)(i) applies:
  - (i) such holder's BC TEL Ordinary Shares shall be and be deemed to be transferred to BC TELECOM;
  - (ii) such holder shall cease to be a holder of BC TEL Ordinary Shares and such holder's name shall be removed from the register of BC TEL Ordinary Shares with respect to such BC TEL Ordinary Shares transferred to BC TELECOM;
  - (iii) there shall be allotted and issued to such holder as fully paid and non-assessable shares the number of BC TELECOM Common Shares calculated on the basis set forth in subsection 3.1(a)(i) and such holder's name shall be added to the register of BC TELECOM Common Shares as the registered holder of such BC TELECOM Common Shares; and
  - (iv) BC TELECOM shall be and be deemed to be the transferee and sole holder of the BC TEL Ordinary Shares so transferred to it, its name shall be entered in the register of the holders of BC TEL Ordinary Shares and it shall, as soon as reasonably practicable, be entitled to receive certificates representing such BC TEL Ordinary Shares;
- (c) the share certificates representing the BC TEL Ordinary Shares shall be deemed to represent for all purposes BC TELECOM Common Shares, but the new holders thereof shall, as soon as reasonably practicable, be entitled to receive on request certificates representing such BC TELECOM Common Shares; and
- (d) BC TEL will file articles of amendment with the Director changing its name to "BC TEL".

#### ARTICLE 4 DISSENTING SHAREHOLDERS

4.1 Holders of BC TEL Ordinary Shares who exercise rights of dissent under the provisions of Section 190 of the Act and who:

- (a) are ultimately entitled to be paid fair value for their BC TEL Ordinary Shares shall be deemed to have transferred their BC TEL Ordinary Shares to BC TEL on the Effective Date; and
- (b) are ultimately not entitled to be paid fair value, for any reason, for their BC TEL Ordinary Shares, shall be deemed to have exchanged their BC TEL Ordinary Shares on the Effective Date for BC TELECOM Common Shares as provided in subsections 3.1(a)(i) and (b);

but in no case shall BC TEL be required to recognize such holders as shareholders of BC TEL from and after the Effective Date, and the names of such holders shall be deleted from the register of holders of BC TEL Ordinary Shares from and after the Effective Date.

## **ARTICLE 5 CERTIFICATES**

### **5.1 Share Certificates**

On the Effective Date, the existing certificates for BC TEL Ordinary Shares will be deemed for all purposes to represent the same number of BC TELECOM Common Shares. As soon as practical following the Effective Date, BC TELECOM shall cause to be delivered to its transfer agent share certificates representing BC TELECOM Common Shares which holders of BC TEL Ordinary Shares are entitled to receive upon presentation of their BC TEL Share certificates for cancellation following the Arrangement, and BC TELECOM's transfer agent shall deliver the certificate for such BC TELECOM Common Shares to such holders on the basis of one BC TELECOM Common Share for each BC TEL Ordinary Share owned by such holders.

### **5.2 Delivery of Share Certificates**

From and after the Effective Date, each share certificate representing a given number of BC TEL Ordinary Shares which was outstanding prior to the Effective Date (other than those BC TEL Ordinary Shares referred to in subsection 4.1(a)) shall represent the same number of BC TELECOM Common Shares and the right of the registered holder to receive certificates representing the number of BC TELECOM Common Shares represented by such certificate.



SCHEDULE C

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT,  
R.S.C. 1985, c. C-44, AS AMENDED

AND IN THE MATTER OF A PLAN OF ARRANGEMENT  
PROPOSED BY BRITISH COLUMBIA TELEPHONE COMPANY  
AND BC TELECOM INC.

BEFORE THE HONOURABLE	)	Wednesday,
	)	the 3rd day of
MR. JUSTICE MACDONELL	)	March, 1993.

INTERIM ORDER

THIS APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia on the 3rd day of March, 1993, AND ON hearing Peter W. Butler, Q.C., Solicitor for the Petitioners and no one appearing on behalf of the Director appointed under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, although duly served; AND ON reading the Affidavit of Leo J. Dooling, sworn the 23rd day of February, 1993 and Affidavit of Elizabeth J. Harrison, sworn the 2nd day of March, 1993:

THIS COURT ORDERS that:

1. The British Columbia Telephone Company ("BC TEL") may call, hold and conduct an annual and special general meeting (the "Meeting") of the holders of its Ordinary Shares (the "BC TEL Ordinary Shareholders") for the following purposes:
  - (a) to consider, and if deemed advisable to pass, with or without variation, a resolution (the "Arrangement Resolution") to approve a proposed plan of arrangement between the Petitioners, a true copy of which plan of arrangement in substantially final form is annexed as Exhibit 1 to Schedule B of Exhibit "A" to the Affidavit of Leo J. Dooling sworn the 23rd day of February, 1993 and filed herein (the "Plan of Arrangement");
  - (b) to transact such other business as may properly be brought before the Meeting.
2. The Meeting shall be called, held and conducted in accordance with the *Canada Business Corporations Act* ("the CBCA") and the articles of incorporation and the by-laws of BC TEL, subject to what may be provided hereafter.
3. BC TEL shall mail the Notice of Meeting, Notice of Petition and Proxy Information Circular (together the "Circular") in substantially the form contained in Exhibit "A" to the Affidavit of Leo J. Dooling filed herein, with such amendments as are not inconsistent with the terms of this Order, and the 1992 Annual Report of BC TEL containing the audited, consolidated financial statements of BC TEL, to the BC TEL Ordinary Shareholders as at the close of business on March 2, 1993, to the directors and auditors of BC TEL, and to the Director under the CBCA, by prepaid ordinary mail to such persons at least 21 days prior to the date of the Meeting, excluding the date of mailing and excluding the date of the Meeting. Such mailing shall constitute good and sufficient service of notice to such persons of the Petition, the Meeting and the hearing in respect of the Petition.
4. BC TEL shall mail a letter substantially in the form set out in Exhibit "E" to the Affidavit of Elizabeth J. Harrison filed herein, with such amendments as are not inconsistent with the terms of this Order, to each of the holders of BC TEL Preference and Preferred Shares (together "the BC TEL Preferred Shareholders"), as at the close of business on March 2, 1993, by prepaid ordinary mail to such persons at least 21 days prior to the Meeting, excluding the date of mailing and excluding the date of the Meeting, and shall provide the Circular to any such person who requests same. Such mailing

shall constitute good and sufficient service of notice to such persons of the Petition and the hearing in respect of the Petition.

5. BC TEL shall mail to Montreal Trust Company of Canada (as trustee under the trust deeds relating to the outstanding first mortgage bonds of BC TEL (the "BC TEL First Mortgage Bonds) and the outstanding unsecured debenture bonds of BC TEL (the "BC TEL Debentures") respectively), a letter substantially in the form contained in Exhibit "E" to the Affidavit of Leo J. Dooling, with such amendments as are not inconsistent with the terms of this Order, by prepaid ordinary mail to such persons at least 21 days prior to the Meeting, excluding the date of mailing and excluding the date of the Meeting. Such mailing shall constitute good and sufficient service to the holders of BC TEL First Mortgage Bonds and BC TEL Debentures of notice of the Petition and the hearing in respect of the Petition.
6. BC TEL shall mail the Circular to the Canadian Depository for Securities Limited (as common depository and registrar for the outstanding medium term notes of BC TEL the ("BC TEL medium term notes"), by prepaid ordinary mail at least 21 days prior to the Meeting, excluding the date of mailing and excluding the date of the Meeting. Such mailing shall constitute good and sufficient service to the holders of BC TEL medium term notes of notice of the Petition and the hearing in respect of the Petition.
7. The accidental omission to give notice of the Meeting, or the non-receipt of such notice by one or more of the persons specified in paragraphs 3 and 11 hereof, shall not invalidate any resolution passed or proceedings taken at the Meeting.
8. The quorum for the transaction of business at the Meeting shall be at least two persons holding or representing by proxy not less than 25% of the outstanding BC TEL Ordinary Shares.
9. The Arrangement Resolution will be effective if passed by two-thirds of the votes cast by the BC TEL Ordinary Shareholders in person or by proxy, at the Meeting.
10. The BC TEL Ordinary Shareholders shall have the right to dissent from the Arrangement Resolution in accordance with the provisions of Section 190 of the CBCA, as modified hereby or as may be necessary to reflect the terms of the Plan of Arrangement, except that in order for a dissenting BC TEL Ordinary Shareholder to be entitled to make a claim pursuant to Section 190, an objection must be received by the Corporate Secretary of BC TEL at its principal office located at 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7, or lodged with the Chairman of the Meeting no later than the commencement of the Meeting.
11. The registered holders of BC TEL Ordinary Shares, the directors and auditors of BC TEL, and the Director under the CBCA are entitled to notice of the Meeting, and the registered holders of BC TEL Ordinary Shares as at the close of business on the 2nd day of March, 1993, shall be entitled to be represented and to vote at the Meeting, either in person or by proxy, subject to the provisions of the CBCA with respect to persons who become registered holders of such securities after that date.
12. Upon approval of the Arrangement Resolution at the Meeting in the manner set forth in this Order, BC TEL and BC TELECOM may apply before this Court for approval of the Plan of Arrangement, which application shall be heard at the Law Courts Building, 800 Smithe Street, Vancouver, British Columbia, on the 16th day of April, 1993 at 10:00 o'clock in the forenoon, or so soon thereafter as counsel may be heard.
13. The mailings set out in paragraphs 3-6 herein shall constitute good and sufficient service in respect of the Petition upon all persons who are entitled to receive such notice pursuant to this Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings, and service of the Affidavit of Leo J. Dooling, filed herein, is dispensed with except as to service on the Director under the CBCA.
14. Any person desiring to appear at the hearing on April 16, 1993 is required to file with the Court and serve upon BC TEL, on or before April 9, 1993, a notice of their intention to appear, including their address for service, together



with any evidence or materials which are to be presented to the Court. Service on BC TEL is to be effected by delivery to the solicitors for BC TEL at:

Farris, Vaughan, Wills & Murphy  
2600 - 700 West Georgia Street  
Vancouver, B.C.  
V7Y 1B3

Attention: Peter W. Butler, Q.C.

15. The Petitioners are entitled at any time to seek leave to vary this Order.

BY THE COURT

(Signed) Alan A.W. Macdonell

DISTRICT REGISTRAR

APPROVED AS TO FORM:

(Signed) Peter W. Butler

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Counsel for the Petitioners

## SCHEDULE D

### SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on;
- (c) amalgamate with another corporation, otherwise than under section 184;
- (d) be continued under the laws of another jurisdiction under section 188; or
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3).

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right he may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of his right to dissent.

(6) The corporation shall, within 10 days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

(7) A dissenting shareholder shall, within twenty days after he receives a notice under subsection (6) or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the corporation a written notice containing

- (a) his name and address;
- (b) the number and class of shares in respect of which he dissents; and
- (c) a demand for payment of the fair value of such shares.

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.



(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificate to the dissenting shareholder.

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this section except where:

- (a) the dissenting shareholder withdraws his notice before the corporation makes an offer under subsection (12);
- (b) the corporation fails to make an offer in accordance with subsection (12) and the dissenting shareholder withdraws his notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case his rights as a shareholder are reinstated as of the date he sent the notice referred to in subsection (7).

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for his shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) On an application to a court under subsection (15) or (16)

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw his notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that:

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.











